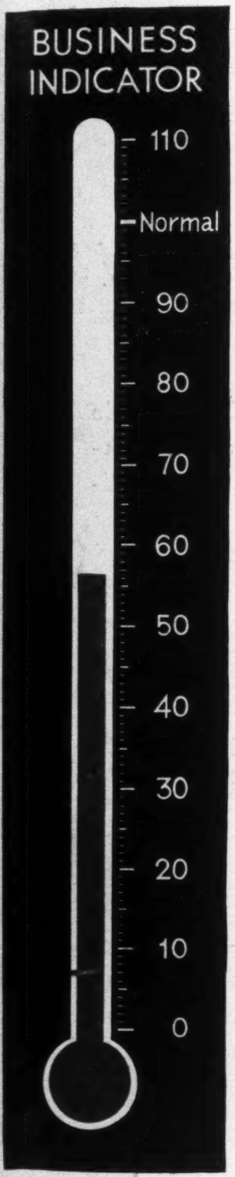
JUN 21 1932

JUNE 22, 1932

THE BUSINESS WEEK



Security markets have been steadied and financial anxieties soothed by forecasts of cessation of the gold outflow, despite the fundamental fact that the increased value of the dollar abroad and at home puts additional handicaps on our export trade and further pressure on commodity prices, both now relapsed to pre-war levels . . . . Although temporary removal of this alibi for inaction and hopeful expectations of favorable results from Lausanne have brightened sentiment somewhat, member bank credit contraction continues at a drastic rate and leading business indicators have declined to new low levels . . . . Structural steel requirements have risen under stimulation of public construction, but steel activity and coal output have dropped to dismal depths . . . . Merchandise carloadings also have declined with the sharp recession of retail trade under pressure of curtailed consumer purchasing power and employment . . . . Improvement in electric power production and check payments, however, have helped sustain the surprisingly stationary position of our general business index during the past three months . . . . Uncertainty regarding relief legislation and congressional adjournment, as well as the outcome of European conferences and the domestic political campaign still overshadows the summer outlook, but the prospect for further procrastination in comprehensive, cooperative action on all important issues is as favorable as ever for those who feel that they can safely be left to the laissez-fairies.

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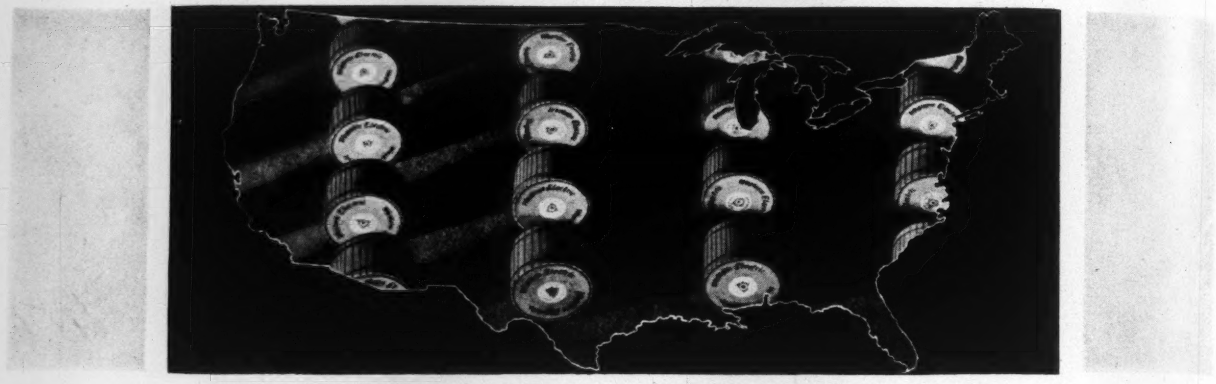

Western Electric covers the country with a service of telephone supply

The service back of telephone service

Facts About
Western Electric
Purchasers, Manufacturers, Distributors for the Bell System

One reason why you can use your telephone at any hour of day or night, calling far or near, is the reliable *service of supply* that Western Electric renders the Bell System.

At thirty-two warehouses located in important centers, Western Electric maintains stocks of telephone apparatus, cable and all other needed materials. These provide supplies for the regular replacement and expansion program of the telephone companies and also meet sudden demands following storm, fire or other emergency.

Western Electric is not only reliable in delivering supplies when and where wanted—it can be counted on to manufacture equipment of the uniformly high quality needed for reliable telephone service. Working closely with other divisions of the Bell System for more than fifty years, it has produced apparatus to meet the most exacting requirements for every telephone need.

Much of Western Electric's efficiency is explained by its close relation to its customers, the telephone companies, in the Bell System. All supplies conform to specifications uniform throughout the System.

All this contributes toward the realization of the Bell ideal—to render telephone service that grows better and better in quality, and at the same time wider and wider in range.

● *AMERICAN TELEPHONE AND TELEGRAPH COMPANY* ●

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This Business Week:

Finance

The League of Nations' encyclical on gold, brought out for the benefit of silver sinners at Lausanne, reflects the dominant influence of the gold countries, is one more vote for deflation. *(p. 5)*

Those local committees working under Reserve Bank auspices, aim to support security markets through encouragement of investment in new issues for business expansion, real estate markets through refinancing and construction. Perhaps most important, is the plan to stimulate current business through trade acceptances. *(p. 7)*

The export trade would like some of that Reconstruction financing, proposes a foreign exchange bank; Washington, however, isn't any too enthusiastic. *(p. 7)*

Companies which issue a large number of small checks, or which have large payrolls paid by check, may evade the new tax by a slight change of wording. *(p. 18)*

Marketing

We Americans are gadgeteers; our many and miscellaneous expenditures for personal use—smokes, novelties, drinks, and haircuts—come next after food, housing, and transport. *(p. 16)*

Retail grocers, harassed by the changing conditions of merchandising, have been crying, "Chain! Chain!" for years. Now they've concentrated their wrath on the biggest chain of all, will try to prove to the government that the A.&P. is an independent-eating monopoly. *(p. 8)*

The chains are always under fire. In St. Louis, tax shots come rather close. *(p. 9)* To meet competition, the A.&P. is selling motor oil. *(p. 9)* When chains enter a territory, they rarely buy up independents, prefer to start their own stores. *(p. 8)*

Mail-order activity has forced a campaign to bring building business back to the local contractor and retail lumber dealer. *(p. 11)*

This year, book publishers aren't going to be so prolific with their brain children; fall lists already reflect the restraining influence of the Cheney report. *(p. 12)*

Militant gas-appliance manufacturers are hot after the range market, threatened by the electrical invader. Advertising and publicity will feature lower cost. *(p. 9)*

Childs has dropped the all-you-can-eat meal, gone back to headquarters control, standardized menus. *(p. 13)*

When it comes to testimonials, the court doubts that the public believes them anyway. *(p. 13)* Another use for the electric eye: wrapping packages accurately *(p. 13)*

Radio

The radio industry program came in fine over the Radio Commission station. All was not well, according to the report. Are yuh listenin', Senator Couzens? *(p. 14)*

Wheat

Grain markets aren't much excited by the prospects of a short wheat crop, due to the general trend of gold-level prices and European import restrictions. *(p. 18)*

Insurance

State insurance commissioners will meet next week to discuss securities valuations, plot the difficult course between conservative statement of assets and liabilities and technical insolvencies because of present paper values. *(p. 22)*

Labor

Coal wages of $4 a day, agreed upon in Illinois and Indiana, are $2.10 below the old scale. This, with a freight differential of 40¢ a ton will make it hard for the West Virginia and Kentucky bituminous fields. *(p. 25)*

Over a third of Canada's workers are out of a job, according to a study by the University of Toronto. The report covers 3 years, 1 of remarkable prosperity, 2 of depression. Even in 1929, employment hours were off 16%. *(p. 25)*

In the old West, college graduates, housewives, and the unemployed, are panning for gold in the old placer workings. *p. 6)* The 6-hour shift is spreading. *(p. 25)*

Foreign

Latin America is certainly swinging left. Uruguay is pink, Chile has gone almost Russ red; now Mexico is experimenting with mining, tax, and banking legislation which curbs foreign control. Some Mexican states threaten to take over any business or income. *(p. 26)*

There'll be another world oil conference at Paris. The price of Russian cooperation may be a Russian loan. *(p. 26)* Developments in Chile are not reassuring to Americans. *(p. 27)*

Lausanne prospects have been brightened by the Anglo-French conversations, according to the cables. Thus, world markets look temporarily better. Gold movements are shifting from present channels. Dollar exchange has strengthened. *(p. 28)*

In this issue:

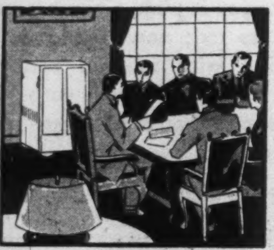
"Personal Expense," Part 9 of The American Consumer Market

ANNOUNCEMENT

Air-Cooling now available to you

at moderate cost!

HOTEL GUESTS *can order room comfort along with their ice water. Room coolers can be easily wheeled from room to room . . . and who wouldn't be willing to pay a trifle extra for relief from sizzling days?*



GOOD IDEAS *aren't likely to start in hot, stuffy rooms. Executives who value their own comfort will find Carrier Coolers worth their small cost in offices and meeting rooms.*

BANISH *hot weather—attract more business with the cool comfort supplied by a Carrier Room Cooler. Even the smallest business can now make hot weather bring extra profits.*

• • •

The Portable Room Cooler is but one item in the complete line of Carrier cooling and air conditioning apparatus.

NOW, even the smallest business can have air-cooling all summer long! This summer you can roll cool, comfortable weather right into your private office, store, hotel, or shop! Banish hot, sticky discomfort!

The new Carrier Portable Room Cooler will efficiently cool and dehumidify the air in an average-size room. It is inexpensive to own and operate. In place of heavy, complicated machinery, it uses ordinary, economical *ice.* A small electric motor (using less current than a 40-watt lamp) is the only moving part.

Carrier research and engineering are your assurance of the durability and efficiency of this Room Cooler. The same designing skill that installed air conditioning equipment in the Capitol at Washington, and in the country's greatest department stores and theatres, has developed this small, portable air cooler.

Weather won't wait. "Dog days" are just around the corner. Don't delay investigating the Carrier Cooler. For comfort *this summer,* send the coupon *today!*

THIS SIMPLE CABINET *is all there is to the Carrier Portable Room Cooler. There are no pipes, connections or noisy machinery. Fill the cabinet with ice, plug the motor into any convenient electric light socket, and enjoy summer comfort.*

The Carrier Cooler is extremely compact. Cabinet measures 52" high, 24⅝" wide, 37⅞" long. It holds 300 lbs. of ice. Equipped with rubber tired wheels.

Carrier

PORTABLE ROOM COOLER

DON'T WAIT FOR HOT WEATHER! SEND THIS COUPON *NOW*

CARRIER-YORK CORPORATION, Philadelphia, Pa.
(A Division of Carrier Corporation)

Gentlemen: Please mail complete information about the Portable Cooler. This does not obligate us in any way.

NAME____

ADDRESS______________________________________

There are still a few desirable territories open for qualified distributors. If you are interested in handling the Carrier Portable Room Cooler, please check here ☐

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending June 18, 1932

The League's Report for Gold Is a Vote for Deflation

Defense of gold standard reflects dominant influence of France in the battle of the currencies

In its report rushed out in advance of the Lausanne reparations conference and any international monetary conference that may follow, the gold delegation of the League of Nations, a committee of bankers and bank economists established in 1929 to study the gold problem, defends the gold standard and exhorts the world to take up the golden cross again.

It admits the gold standard has not worked very well, but insists it is essential because the extreme fluctuations in exchange rates resulting from its abandonment impose an insuperable handicap on international trade.

The committee apparently considers these handicaps more serious than those now being suffered by most countries in the attempt to adhere to the gold standard. During the past year 20 countries have given up the struggle and have suspended gold payments or devaluated their currencies; 12 others have practically gone off gold as a result of stringent foreign exchange regulations, and 15 European nations have resorted to barter by agreements to exchange goods without money payments.

Four Requirements

The committee admits it will be difficult to restore the gold standard in any comprehensive way, pointing out that there are 4 requirements for its successful operation: (1) lowering of tariffs and other restrictions on international trade; (2) readjustment of war debts and reparations so as to restore investment confidence as a basis for the normal international flow of capital; (3) changes in central bank policies so as to permit the influence of normal international gold movements to be felt promptly in prices and credit conditions in each country; (4) rigorous balancing of governmental budgets, and appropriate downward readjustments of wages and costs of living in each nation.

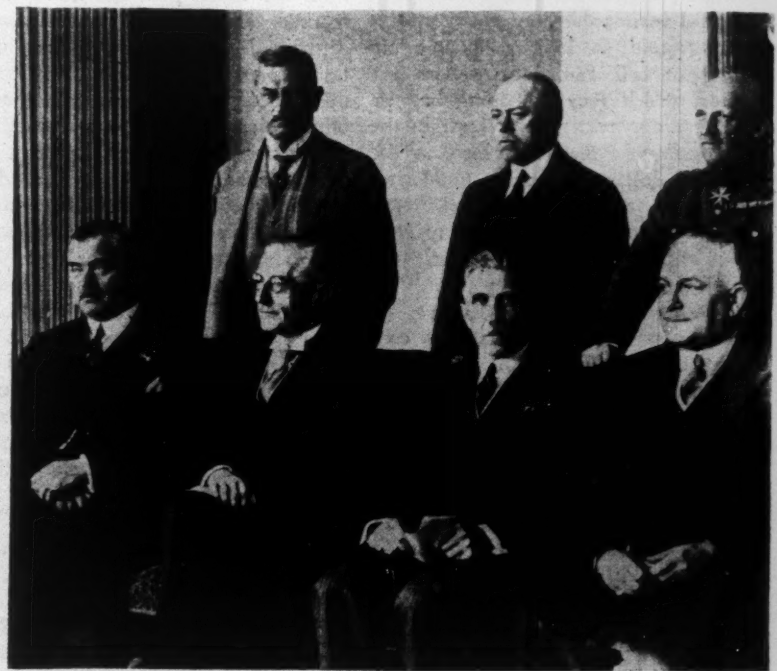
The report is unorthodox on one point, which marks a considerable advance over earlier opinion of the gold delegation evidenced in its report a year ago. It recognizes that a rise in the international commodity price level would be desirable and necessary to lighten debt burdens and avoid further default or repudiation. It considers that this can best be done by concerted action of central banks through appropriate control of rediscount rates and open market operations, rather than by abandoning the gold standard.

It rejects the idea that insufficient world supply of gold or uneven distribution of gold stocks is responsible for the collapse of commodity prices, but admits that the world supply of gold may become inadequate to support higher price levels in the future. Accordingly, to provide greater leeway for central bank action to maintain general price levels, even though it is impossible in the view of the committee to stabilize them over short periods, it recommends that the gold reserve ratios legally fixed in most countries should be lowered if not entirely abolished by agreement.

For Relentless Pressure

The committee considers that international cooperation in regard to central banking policies, trade restrictions, war debts, and reparations is the key to maintenance of the gold standard and general price stability, but for the present it places most reliance upon continuance of the processes of controlled deflation in each nation.

This attitude reflects the dominant in-



Keystone

Monocle Cabinet—*Obviously just a metaphor, for only a pair of spectacles is to be seen. Front, left to right, von Braun, alimentation; von Gayl, interior; Chancellor von Papen; von Neurath, foreign affairs. Back row, Dr. Guertner, justice; Warmbold, economy; Gen. von Schleicher, army—called the real head of the new German regime* fluence in the League committee of France and the continental European powers still nominally on gold. The British members and some of the Scandinavian countries now linked to sterling strongly dissented from the general conclusions of the committee and questioned the possibility of returning to the gold standard under present conditions, emphasizing as factors in its collapse the maldistribution of gold reserves due to the abnormal accumulation and sterilization of gold in the United States and France, as well as the trade restrictions and reparations policies of these countries.

Part of a Battle

This League report must be considered as part of the titanic battle of the currencies that is now being waged between Britain and the group of countries off gold, and the United States, France and the continental group under her influence. It is thrown into the battle in face of the increasing anxiety in the United States and France about the possibility of remaining on gold in view of the growing pressure upon gold price levels as the international scramble for the metal continues to grow more intense.

Gold has been moving to Britain from France and the United States until she has accumulated almost as large a reserve as she had before she abandoned the gold standard. She can keep on drawing gold so long as people are willing to sell francs or dollars for pounds, which they are doing because they have apparently more faith in the pound off gold than they have in the franc or dollar on gold. Gold embargoes by the United States and France would mean a worldwide sterling basis for prices, and this is apparently the aim of British policy.

Foreign Balances Unknown

So far as the United States is concerned, the situation is still surrounded by considerable uncertainty and the statistics are inconclusive as to the position of our gold reserves. From the peak reached at the time when Britain went off gold last fall, the monetary gold stock of the United States has declined from about $5 billions to a little less than $4 billions. This loss of a billion dollars of gold leaves approximately another billion of excess reserves or "free gold" which, thanks to the provisions of the Glass-Steagall Act, could conceivably be withdrawn domestically or for export without bringing our gold reserves below the 40% legal minimum ratio to Federal Reserve notes and other Reserve liabilities.

International News

GOLD DIGGERS—*Yet they stick to their pans. Women, near Denver, taking a lesson in placer mining with the old-fashioned shovel and pan. Throughout the West, students and the unemployed are washing gold this summer*

The Federal Reserve authorities refuse to publish figures showing the extent of foreign balances here, but the best estimates indicate baout $700 millions for which gold has not been earmarked, and about $500 millions of earmarked gold, some of which might be restored to use here. About $300 millions of these balances are those of other than European countries, and would presumably be maintained. The French balances, which have been drawn down for gold export or earmarking at a rapid rate, are about exhausted, according to recent reports. For other European countries the balances are low and some part of them would probably be kept here for ordinary business purposes. This week the exchanges have fallen below the gold export point for all foreign countries and the gold movement has tended to decline, so that there is some reason to believe that it may be approaching its end.

Unknown Factors

The unknown factors in the situation are the congressional, business, and financial uncertainties which may affect foreign sentiment about conditions here, and the extent of foreign holdings of American securities which might be liquidated. Worsening of the American business and financial situation or disturbing legislation might start further withdrawals based on such liquidation or on further recall of balances.

On the other side is the possibility that an outbreak of political disturbances abroad might start a return flow of funds here for safe-keeping. Prospects of improvement in the business outlook in the United States would be a most powerful factor drawing foreign funds here for investment in low-priced securities. In past depression periods such an inflow of foreign capital has been a major influence in American business recovery and expansion, and history may repeat itself in this respect.

One-Man Gold Gravel Machines Sell Briskly

GOLD-MINING has its depressions during booms, and its booms during depressions. Its boom just now has many curious manifestations.

Unemployed men are going out to old placer workings, sometimes with the classic pick, shovel, and pan, sometimes with more modern equipment. They are making a living in most cases; in a few instances, they are doing very well, indeed.

Thirty students from the College of Mines of Washington State College will go placer-mining this summer for a single company operating in that state. Several hundred other students will go it on their own in Montana, Washington, Oregon, and Idaho.

So keen is the interest in placer operations that various companies have developed little portable machines that will wash a ton of sand an hour, incidentally recovering half to three-fourths of the water used—no small recommendation in many semi-arid regions. One of the first, made by the Mine & Smelter Supply Co., Denver, weighs 230 lb. including gasoline motor and can be carried in its own water tank, which in turn will ride on the back seat of a Ford. It uses a gallon of gasoline in 8 hours. Machines of other companies also have sold briskly.

Montana citizens want the Reconstruction Finance Corporation to put $30 millions into a revolving fund to stimulate placer mining on a profit-sharing basis, as a means of giving work to men who are now dependent on local relief.

These are the curiosities of the situation. Activity is equally great among the big mining companies. They are opening up old workings, speeding up production, and improving equipment.

Prospecting is under way in almost every part of the world, on a scale such as has not been seen for years.

Trade Acceptances Offer Means Of Positive Credit Expansion

Wider use would thaw out debts now holding back smaller concerns, supply needed commercial paper

LOCAL committees of bankers and business men set up in several Reserve districts under auspices of the Reserve Banks have so far been working on 3 types of measures to stimulate expansion of member bank credit as a means of business recovery. The first, exemplified by the formation of the American Securities Investing Corp. by a group of leading New York banks, is intended to support the security market so as to encourage the flow of idle investment funds into new issues of securities for construction or business expansion which will put more men to work. A second, exemplified by bank subscriptions to bonds of the Savings and Loan Bank of New York State to supply funds for home mortgage refinancing, is intended to support the real estate market against further liquidation, and possibly to stimulate employment in home construction and repair. The third is an attempt to stimulate the use of trade acceptances in the financing of current business operations.

Positive, Not Preservative

For several reasons, the last may prove the most important of all these efforts to put idle credit resources to work, if it can be successfully organized on a large scale. In the first place, it would be a positive stimulation to credit expansion and business activity, whereas the other lines of effort at best are directed to checking deflation and stabilizing security or property values, and will not necessarily lead to active use of credit to increase business.

The trade acceptance is simply a piece of prime, 2-name commercial paper covering a sale of specific goods for future payment, endorsed and guaranteed by both buyer and seller, and eligible for rediscount by the Federal Reserve Banks. Bankers' acceptances, now in general use, are essentially the same sort of credit instrument, except that they are endorsed or "accepted" by 2 banks on behalf of the buyer and seller involved in the transaction. Where business transactions are based on open-book accounts, with discount for cash or payment within a certain period, the trade acceptance endorsed by buyer and seller and discounted at a bank would put cash at the disposal of the seller immediately, with less strain on the buyer and less cost to the seller, and would unfreeze a great mass of book credit and accounts receivable by which business is carried on normally and by which it is being retarded at present.

The larger business concerns, with ample cash resources, of course do not need such accommodation as buyers of goods and materials, but there are hundreds of thousands of smaller concerns that would benefit by it materially. The larger concerns were able to accumulate cash reserves by selling securities during the prosperity period, and can easily secure banking accommodation now, but the smaller ones are hampered at present by a less liquid position due to large accounts payable, frozen receivables, assets tied up in closed banks, or lack of current credit accommodation due to tight banking conditions in their communities.

Would Release Cash

The wider use of trade acceptances would tend to liquefy the great volume of frozen floating commercial debt which is holding back smaller business enterprise under present conditions. It would in effect release a great volume of cash purchasing power for current use in employment and buying more effectively than any of the devices for expansion of currency or credit that have so far been suggested.

A second reason why the wider use of trade acceptances would be helpful in the immediate situation lies in the position of the Federal Reserve system and the problem that has confronted it as a result of rapid gold exports. The other lines of action mentioned toward credit expansion have had to be temporarily suspended or cannot be expected to go far so long as gold is leaving the country rapidly. In such a situation banks cannot tie up their reserves in long-term investments on a large scale. The Reserve Banks have been faced with a diminishing supply of commercial paper as a backing for Federal Reserve notes, and have had to use government bonds for this purpose under the provisions of the Glass-Steagall Act.

Backing for Currency

Trade acceptances discounted by the member banks would provide employment for their reserves in a liquid use which would be helpful to business, and when rediscounted with the Reserve Banks would provide the latter with an abundant supply of commercial paper as backing for Federal Reserve notes, thus relieving the strain on their gold reserves and making it unnecessary for them to continue adding government securities to their holdings. These holdings are already very large, and will create a serious problem for the government bond market when the Reserve Banks attempt to unload them. The trade acceptance provides a means of putting Reserve credit into active use in a normal way without incurring this danger.

Washington Cool To Foreign Exchange Bank

ATTEMPTS to make the resources of the Reconstruction Finance Corporation available for stimulation of foreign trade have finally taken form, after several months of study, in a plan proposed to the Administration by a group of export associations under the auspices of the

New York Board of Trade. Suspension of the gold standard and drastic restrictions on foreign exchange now practically universal have hampered foreign trade by making it almost impossible for exporters to secure payment for goods sold. Where such payments are accumulated abroad in foreign currencies they are not available for use of exporters here, and the rationing of foreign exchange in other cases postpones payment for such long periods or involves such high premiums as to amount to drastic reduction in the amount finally realized by exporters.

Using the Edge Act

The plan proposes establishment of a foreign exchange banking corporation by export groups, under the Edge Act, with authority to use the immobilized foreign exchange assets of its members to secure immediate cash payment through loans from the Reconstruction Corp. The capital of the proposed bank would be supplied by important export organizations and by commercial banks, and it would operate by guaranteeing drafts drawn by exporters against the Reconstruction Corp. The plan also contemplates that the Administration will use its influence to secure some relaxation of foreign exchange restrictions in certain countries, where there is evidence of discrimination against American exports.

Objections Raised

The Administration is reported to be cool to the proposal. Objections are that the Reconstruction Corp. could not make loans to any banking institution based upon transactions completed before the corporation was established, while the major part of the immobilized foreign assets against which it would be asked to loan money, amounting now to over $100 millions, were based on export business done before the corporation was set up. It is felt further that the foreign exchange restrictions in force will be continued in most countries for much longer than the 12-month period for which the plan contemplates that the Reconstruction Corp. will finance the exporter, so that there is no assurance that the loans can be repaid. Moreover the Administration declines to become involved in any effort to negotiate relaxation of foreign exchange restrictions which might open up questions of our tariff policy.

Grocers Call A.&P. a Monopoly; Put Up the Money to Prove It

But independents will find it's hard to show that size itself is evidence

At the National Association of Retail Grocers' convention, infuriated independents turned savagely on the chains, picked as scapegoat for their troubles The Great Atlantic & Pacific Tea Co.

In a startling resolution, the biggest chain of them all is damned as a potential monopoly, money is appropriated to prove it, and evidence (if any) is to be turned over to the government for prosecution.

Many of those who sponsored the move believe it has to be done if independents are to stay in business. Others feel that economic forces are enough of a limitation and that the gesture was motivated by some of the leading retail grocers, who had been reading about Jack the Wholesale Grocer and the Meat Packer Giant (*BW—Jan14'31; May11, Jun1'32*).

In their resolution, the retail grocers hold that the A.&P. operates in the food and grocery business "in control of every function as grower, packer, manufacturer, broker, commission merchant, wholesaler and retailer." It shouldn't be hard to prove this, but it's something else again to show that such control (which exists in many industries) has any but a beneficial effect on the ultimate consumer.

According to the U. S. Census of Distribution, total sales of food in the country's 497,715 retail food stores amounted to $11,310 millions in 1929. In that year the A.&P. operated approximately 15,400 (less than 3.1%) of the country's total food stores; its sales volume of $1,027 millions represented about 9% of total dollar volume. It is claimed that it would be difficult to cite even a single location where an A.&P. store has gained a monopoly.

Independents have been banging away at the chains from the very beginning. They have fought them in almost every legislative chamber in the land, from town-meeting up. They have been so busy shooting at the invader that they have failed to notice that the chains gained only the ground that independents lost, that chain opportunities were limited to independent inefficiencies.

Some independents have been smart enough to see what was happening to the principle and practice of distribution, have turned chain themselves or adopted chain practices.

In fact, the very advantages condemned so roundly in centrally-owned chains are responsible for the success of the voluntary chains which the most recent tabulation numbers at 700 with 80,000 retail food merchant members (*BW—May18'32*).

Chains Seldom Pick Up Independent Stores

Chains grow by forging their own new links or by hooking on links from other chains, rarely by picking up independent stores. During the boom period they grew too rapidly for their own good. This is the meat of the Federal Trade Commission's report on "Growth and Development of Chain Stores," punctuating the completion of another phase of its long investigation of the chains (*BW—Jul22'31; Jan6'32*).

Of the total chain growth during 1928, only 11% was attributable to units obtained through purchase and only 12% of these purchases were erstwhile independents, representing less than 2% of the year's increase. This is the showing of 1,591 chains which the commission found operating 61,766 stores in 26 kinds of business on Dec. 31, 1928. Accretions during the year totaled 6,475 stores.

That many systems were pushed beyond normal growing rates as a result of easy money and promotional flotations of stock issues is indicated by the finding that the proportion of annual acquisitions to gross total stores rose from 3.3% in 1925 to 38.4% in 1929, then dropped abruptly to 11.1% in 1930. The figures argue that many of the stores that figured in the chain mergers of the boom period were later closed, merged or moved because they proved unprofitable. For instance, Kroger reported 5,575 stores at the end of 1929, only 4,839 in May, 1932; Safeway System dropped from a high of 4,080 units to 3,491 in May this year.

This study of chain growth shows the big systems following the theory that chains must grow to a certain size, acquire a definite percentage of dominance in their fields if they are to continue in operation. In each trade group the larger chains accounted for most of the acquisitions—Kroger for half and, with American Stores and Grand Union, for two-thirds of those in the food group; Liggett for 42% and, with Walgreen and Peoples, for 62% of those in the drug group. And, despite the chains' elaborate systems of measuring trade potentials of store locations, the 1,591 reporting to the Trade Commission also reported that they closed 1 out of every 5 new stores in 1928.

Service Station Has New Competitor—A.&P.

RELUCTANTLY the Great Atlantic & Pacific Tea Co. adds to its lines an alien commodity. Units in the South and Southwest are selling motor oil. Others are expected to follow suit. The idea started with competing grocery chains. A.&P. felt it had to follow suit.

The stores will distribute the Penn-Rad brand of Pennsylvania oil. The unit is a 2-gallon sealed can retailing for $1. A 1,000-mile guarantee goes with the purchase. Handbills boosting the offering as "the greatest value ever" are being distributed. A.&P. stores in the East had experimented with motor oil in quart bottles at 22¢, with 3¢ refund on returned containers. Better response is expected for the larger amount at the much lower price.

St. Louis Tries Tax Curb On Its Chain Stores

ST. LOUIS has just voted a chain store tax so drastic in its provisions that the entire chain store industry is organizing in opposition.

Under the St. Louis ordinance a graduated scale runs taxes from $25 a store for chains with up to 5 stores to $250 a store for systems of over 25 stores. Food chains are particularly hard hit and are leading the fight.

They claim that with average net profits per store barely "reasonable" under the most favorable conditions, a tax of $250 a unit would practically eliminate all possibility of getting a return for their efforts. Proponents of the tax reply that it puts the chain stores on a footing more nearly equal with the independents and leaves them less inclined to engage in costly cut-price competition.

Cities in Florida, Ohio, North Carolina, New Jersey, Pennsylvania, and Wisconsin have contemplated taxes on chain stores but found the opposition too strong. Portland, Ore., chain interests succeeded in getting an injunction against the collection of a tax and now are awaiting a referendum vote. A Spartanburg, S. C., court has just ruled that a local chain store tax graduated according to dollar volume and number of stores is "beyond the power and authority of municipal corporations under the laws of this state."

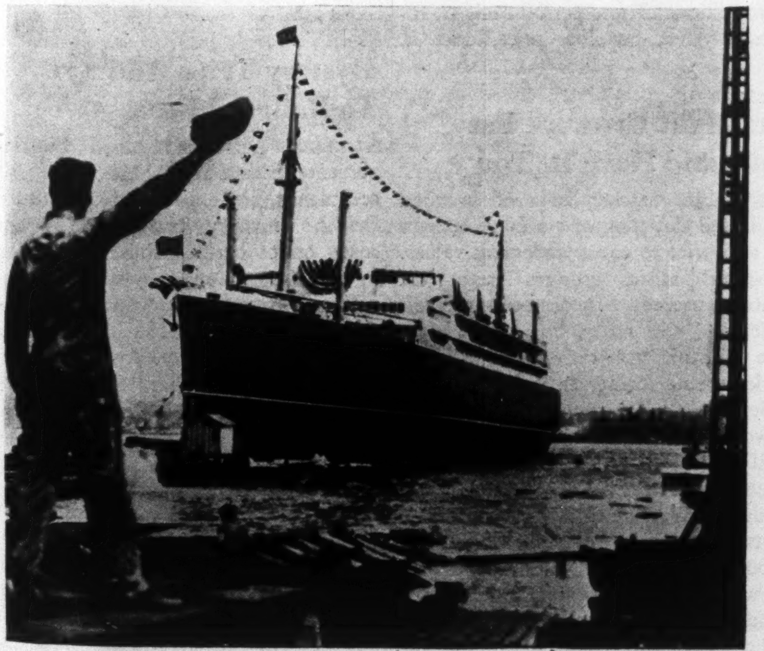
Gas Men to Spend $2 Millions In Drive to Sell New Ranges

MANUFACTURERS of gas appliances have banded together for a militant campaign. After months of conferring and planning it is announced that a drive will begin in August or September to advertise to the housewife the advantages of gas in the kitchen.

An estimated $2 millions will be collected to broadcast cooperatively in magazines and newspapers the praises of gas. To scoffers who say that no such sum can be obtained, gas spokesmen retort that the larger part of it already is pledged. At the same time individual companies are expected to intensify their selling of improved ranges, and to evangelize the virtues of their commodity.

Gas interests saw the younger, more aggressive electrical industry walk off with the lion's percentage of home lighting and home refrigeration. But gas flames still blazed cheerfully under the pots on the kitchen range. Meanwhile, demand for industrial electricity declined. The companies depended more and more on the home consumption of kilowatts to produce dividends. This shift emphasized the potential market in the 23 million wired homes. Spring brought—along with its robins and roses—the announcement that the electrical people were going after the range business in an organized drive. This emphasized to the gas people the necessity for quick action.

First the gas appliance folk had to bury their inter-industrial hatchets. Pow-wows, repeated and noisy, were held. Led by Philip O. Deitsch, manager of the manufacturers' section of



International News

STILL BUILDING THEM—*After all, people like to ride the new ones; it is the old ones that rust at anchor. And there are mails, and government loans. The "Santa Paula" is launched at Kearny, N. J., one of 4 being built for the Grace Line's South American run. A $5-million job.*

the American Gas Association, a degree of harmony corporate in a "Standards of Practice" was achieved. Ethical rules of competition are outlined which are to be policed by a board of arbitration. With ranks formed and eyes turned toward the common problem instead of on individual business rivals, the industry claims to be ready for the charge.

Utility companies have agreed to cooperate. Some of the big ones are noncommittal since they own both electric and gas interests with, usually, the former in control. Success of electrical merchandising has been due partly to integration of the industry into aggressively-managed large groups, still driven by the vigor of youth. But in the battle for the kitchen range business chances seem to favor gas. Gas ranges average $70 retail, electric ranges, $160. Also gas claims to be cheaper in most areas.

W. F. Roberts, president of Standard Gas Equipment Corp., Baltimore, states the case thus: "Although gas has distinct superiorities over electricity . . . we have not kept pace with opposing propaganda . . . Mrs. Consumer tends to favor electricity when, if fully informed, she would favor gas. While gas is more modern, she thinks it is obsolete."

Tax Adds to Discord In Copper Set-up

WHILE copper's world curtailment agreement still holds despite the new import tax which falls on the red metal on June 21, the whole international copper set-up has been badly shaken. Predictions of the early demise of Copper Exporters, Inc., have taken on a new note of conviction since the clash of domestic and foreign interests over the tax. They are being frequently coupled with opinions that ultimately the market will be dominated by 3 groups—a domestic body, a British Empire organization, and a Continental group, the latter including Union Minière.

The persistence of the curtailment agreement is due to the persistence of gloomy market forecasts. The pact concluded last winter left the foreign producers free to cut loose on production if either the United States or Great Britain levied an import duty on copper. But foreign production is still in excess of demand and they see no point in jumping out of the frying-pan at this time. The political situation in Chile has not helped their nerves.

Meanwhile, American companies importing ore are perfecting plans for protecting their export trade in refined by bringing in ore allotted to this trade under bond and thus avoiding the new impost. Reports that the tax will shift the refining of any portion of the imported ore to foreign plants are largely discounted.

Bargain-Hunters Still Have Their Ideals

WHILE purchasing power declines, the national taste grows more discriminating. We still want well-designed merchandise though we may not be able to pay a lot for it. Realization of this fact is the key to the present situation, according to F. D. Corley, vice-president and merchandise manager of Marshall Field & Co., Chicago. He cites in *Factory & Industrial Management* the case of manufacturers who have produced good-looking articles at low prices, thereby sustaining their volume:

Fine china is selling slowly. There is heavy demand for a brand of American earthenware which is attractive though made by machines. One 32-piece set retails for $5. American glass, some entirely machine-made, is selling in volume because it approaches handmade standards in shape and color. Alert manufacturers of wheeled toys have achieved similar results. A Field factory solved the problem in the case of furniture by developing good but low-priced reproductions of fine period designs. Increased value, not low price, does it.

Sun-Maid Growers Eat Cake and Have It, Too

WHEN big merchandisers of branded goods sell out they add a large sum to the sale price to cover trademark values. Sun-Maid raisin growers have just created a precedent by disposing of their trademark without selling out. More, than that, they have cashed in that trademark without losing its use.

Because their advertising had made it worth $5,600,000 to a group of 4 California banks, these banks have just agreed to accept it for use on food products other than raisins and dried fruits in payment of a loan of that amount made to the Sun-Maid Raisin Growers Association several years ago through the Farm Board.

Sun-Maid will continue to use the famous name on its own products. The bankers will undoubtedly cash in on their deal by selling it to producers or canners of other California products.

HAIR CUT?
SMILE?
SHAVE?
TIE STRAIGHT?
CLOTHES PRESSED?
SHOES SHIN

The Business Week

QUESTION MIRROR—*United Parcel Service checks the neatness of its drivers with this combination sign and mirror in the locker room*

Mystery Trips Add To Railroad Fares

AMERICAN railroads, harassed by passenger competition from buses, boats, and aeroplanes, are experimenting with the British "mystery trip" idea. British roads entice curious and thrifty hikers by cheap excursions to unspecified destinations. In the past weeks the Southern, Baltimore & Ohio, and Missouri Pacific have run such excursions.

The only passenger to register disgust was a citizen of Charlottesville, Va., who rushed into Washington to board the Southern's mystery train, which took him—right back to Charlottesville. The remaining 406 customers were delighted with a $3.50 ride that cost only $1.75—barbecue, music, scenery included. The Southern's Decoration Day mystery trip out of Cincinnati (to High Bridge, Ky.) attracted 2,000. Hundreds were turned away. Missouri Pacific carried 400 on a 92-mile excursion from St. Louis to Arcadia, Mo., for $1.

Lumber Dealers Arm Contractors To Recapture Local Building

Decide this is best way to meet costly competition from mail-order and factory-built homes

NEW competition from "outside" sources has cut so deeply that the National Retail Lumber Dealers Association has just launched a campaign to recapture local building business for the local contractor who buys his materials from the local dealer.

Until good roads made spot delivery of building materials by truck from distant warehouse to point-of-use both feasible and economical, the local lumber dealer generally supplied practically all lumber and other building materials used within hauling radius of his yard. He cooperated with the local building contractors in preparing estimates and checking cost figures, and frequently not only took care of financing the operations of the contractor while a job was under construction but actually arranged for the permanent financing in behalf of the owner. Many communities can trace a substantial portion of their growth to the financing operations of a single lumber dealer.

War Brought Change

Then came mass housing production, stimulated by the sudden wartime needs of the newly developed and rapidly growing industrial centers, and given further impetus in the post-war building boom. Business slipped away from the local lumber dealer. Later he began to meet even more formidable competition from the large mail-order houses and from concerns offering to erect homes of standardized design at fixed prices—and on instalment terms—on the purchasers' own lots.

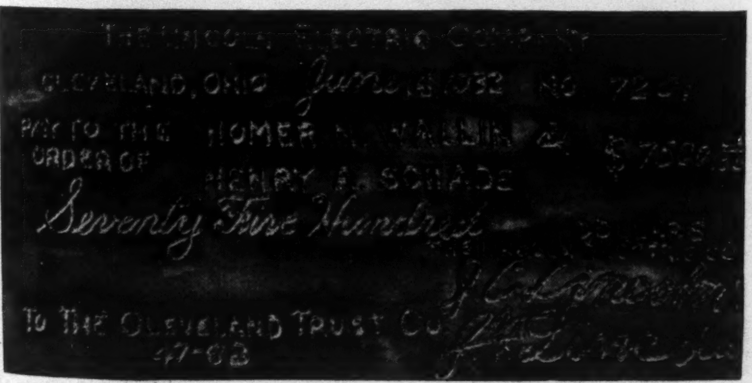
With generally lower prices offered by these agencies and a far superior type of salesmanship, these competitors have diverted to themselves a considerable volume of building and construction business.

Lumber dealers realize that the building contractor actually functions as their sales department and that if available business is to be kept "in town" they must cooperate more intensively to help contractors do a better sales job, meet the high-pressure "outside" competition. The campaign now announced is designed to accomplish just this.

The "House Valuator"

A Merchandising Council Service has been organized through which dealers are to be developed into better merchants and trained for more effective cooperation with the local contractor. To facilitate estimating and on-the-spot quotations based on local materials and labor costs a "House Valuator" has been prepared. This 128-page book of tables, used experimentally in different localities, has enabled contractors to figure prices on "catalogue" homes, based on locally purchased materials and local workmanship, but according to the "catalogue" standards of size and type of materials, and succeed in getting the contract, without having to leave the prospect's presence. Previously the figuring of estimates has involved tedious calculations, much time and effort.

A national advertising campaign, including publications with over 7 millions circulation, is being started, to tell readers of the new "Home Cost" service.



THE LINCOLN ELECTRIC COMPANY
CLEVELAND, OHIO June 18, 1932 NO 72[illegible]
PAY TO THE ORDER OF HOMER [illegible] & HENRY A. SCHADE $7500.00
Seventy Five Hundred DOLLARS
TO THE CLEVELAND TRUST CO.
47-02

The Business Week

STEEL CHECK—*Lincoln Electric paid the winners of its second arc-welding contest with arc-written checks like this. They'll be endorsed the same way, cancelled by the bank with a machine gun*

Westinghouse Employees Sell $1½ Millions

WITH numerous individual sales and some large equipment contracts still pending, the 30-day drive by 35,000 employees of Westinghouse Electric & Manufacturing Co. for sales of the company's products (*BW—May4'32*) produced $1,503,268 in volume. And the hotly competing sales teams have reported so much additional business in prospect that the drive, originally scheduled for May only, has been extended to the end of June.

A number of large nationally operating companies have studied the Westinghouse plan for employee sales drives and are planning or have launched similar campaigns.

Chains' Sales Drop 16%; Department Stores' 24%

APPARENTLY the housewife is hunting her bargains near her home. Government figures show that during another month of losses in dollar volume, the chain stores' total decreased much less than that of department stores. For May, chain store sales dropped 16.3%, department store sales 24% compared to last year. There was a loss at a time of the year when gains should have been shown. In the case of department stores the Federal Reserve Board reported that, using the 1923-1925 average as 100, the index in March was 72, in April 80, in May 74. Reduction for the first 5 months of 1932 was 22% under a similar period of 1931.

The 19 chains reporting showed sales for May of $136½ millions, against $163 millions in May, 1931. Looking back at preceding months, the grade of the decline again appears to be growing more acute. Thus March (aided by Easter) showed a 9.8% drop, April 16%.

Some of the May declines by companies were: Montgomery Ward, 23.6%; Sears, Roebuck, 23.3%; J. C. Penney, 18.1%; Kroger, 10.7%; Woolworth, 14.8%; Kresge, 17%; Melville Shoe, 25.2%; W. T. Grant, 7.7%.

Two factors have to be remembered

in considering the figures: (*a*) Some of the chains are operating fewer units; (*b*) dollar volume is not a correct barometer of commodity volume, since price declines have continued.

Utility Starts Mart For Used Appliances

THE British Columbia Electric Railway Co. Ltd. at Vancouver, B. C., believes its patrons can obtain better, safer, more satisfactory service from a good second-hand electrical appliance or radio, properly reconditioned, than from a cheaply constructed new article. It has established a Used Appliance Market, where traded-in or demonstration models are offered at low prices.

Local furniture dealers had been successful in building sales of new furniture through making trade-in allowances for used pieces which they afterwards sold in a special second-hand department. The utility decided to try the same plan with appliances and radio.

Traded-in articles are thoroughly reconditioned, refinished if necessary, then offered at low prices, and sold with a 90-day guarantee. The plan is reported popular, helped sales of new goods, added to the company's domestic load.

New Excise Taxes Upset Summer Sales Routines

MANUFACTURERS, wholesalers and retailers whose goods are hit by the new excise taxes effective at midnight on June 20 are weighing the problem of how to collect these imposts without disturbing successful price lines or otherwise unsettling consumer buying habits.

Makers of automobiles and allied products see little to do except protest and redouble selling efforts to offset the effect of the additional load. The refrigerator industry has a special problem in the fact that the 5% tax on its products comes at a time when the big manufacturers have been adjusting their quotations to meet the growing threat from competitors listing refrigerators at or below the $100 mark. With the industry's 1932 campaign in full swing and sales at or near scheduled totals, the tax is likely to check further reductions in list prices.

The department stores are trying to work out standards of practice through the Retail Dry Goods Association, representing over 4,000 stores. Channing E. Sweitzer, managing director of the association, has suggested that manufacturers simplify the problem by including the tax in their quotations so that selling prices can be determined from the tax-inclusive invoice cost.

Figuring in the taxes on fur-trimmed garments presents special complications which are being handled in bulletins from the trade associations.

Meanwhile, well-financed retailers and chains have been stocking up heavily on lines covered by the new taxes, looking for extra profits on goods bought ahead of the impost date.

Publishers Try Birth Control On This Year's Brain Children

FALL publishers' lists already reflect the influence of the Cheney report and of the W. W. Norton report which followed and supplemented Mr. Cheney's brilliant but controversial and devastating analysis of the book business. There are, indeed, cynics who say it is depression which has taught the publishers to practice birth control on brain children, but there is internal evidence that improved methods are not mere enforced parsimonies.

Pioneered two or three seasons back by three publishers, the practice of giving the bookseller an honest and conservative analysis of sales possibilities of forthcoming books is becoming general. Doubleday, Doran, for example, offers the shortest list in years. After each author's name is the title of the new book, a brief description, and then (and this is the new feature) a series of code letters. Deciphered, these state whether in the judgment of the publisher, the book will sell generally, whether it will rent well, whether it has literary value, whether it will sell to a small special group, whether it will be long-lived, and finally, an estimate as to total sales.

Little, Brown & Co. does the same thing with a slightly different code which includes also the amount the publisher guarantees to spend in advertising. Publishers' estimates are astonishingly modest. One book is included doubtless because of the fame of the author and the prestige value to the house, for its rental appeal is listed as "very doubtful," its counter sales possibility as "adequate," and its appeal to small public libraries as "doubtful," sales this year, 1,500. Little,

Harris & Ewing

IT'S A DAY COACH—*This "Imperial Salon" car on the Chesapeake & Ohio's "George Washington" has carpet on the floor, revolving chairs, smoking room for women. The whole train is air-conditioned*

Brown's list is 29 titles as against 34 last year, and 42 in 1929.

So far, this year, 3,697 books have been published, which is 491 titles fewer than were hopefully issued in the first 5 months of last year.

Publishers long have held to the conviction that 12,000 new titles a year should not be too many for a nation of 120,000,000. They are coming reluctantly, however, to the conclusion that with 250,000 older titles to choose from, plus newspapers and magazines, lists must be curtailed.

The Cheney report pointed out three evils: inadequate sales, quick death of books, useless duplication of titles. It showed that half the fiction books published sell fewer than 4,000 copies, and 4 out of 10 non-fiction books sell fewer than 1,000 copies. Figures vary widely from book to book, but it is likely fiction must sell 3,000 copies and nonfiction 1,500 to break even on costs.

Testimonials Can Be Bought, But Not Sold

EXPRESSING a high faith in the sagacity of testimonial readers and the probity of testimonial writers, the United States Circuit Court of Appeals of the Second Circuit has just reversed the Federal Trade Commission's order that the Northam Warren Corp. of New York, makers of Cutex and other toilet preparations, "cease and desist" from publishing paid testimonials without also publishing the fact that they are paid for. The court's doubt that "the public is gullible enough to believe that such testimonials are given without compensation," its hesitancy to "presume that endorsers of commercial products falsify their statements because they have received compensation," and its decision that, even if they are paid, "providing they are truthful, no one is deceived" deal a vital blow to the commission's restrictions on this kind of advertising dramatized in the Northam Warren case (*BW—Jan6'32*).

The Trade Commission dug a legal grave for its case when it announced that it did not suggest that Northam Warren's testimonials tended to create a monopoly or an undue restraint of trade, but thought that failure to state the price paid for them amounted to deception and misrepresentation which enabled the company "to deprive honest manufacturers of a market." "If the testimonials involved represent honest beliefs of the endorsers," as the commission "expressly found" they did, then there is no misrepresentation or undue competition, said the court. It added that the Federal Trade Commission Act did not purport to establish a decalogue of good business manners or morals and the commission was without jurisdiction.

Electric Eye Ensures Wrapping Accuracy

THE problem of feeding printed paper from a roll and cutting if off at the same place every time is an old one to concerns that manufacture products which must be wrapped and to those that make wrapping materials. It is particularly troublesome to those whose wrappers carry printed designs that must fall at the same point on each product or package—most particularly to those who wrap with cellophane. This is because, no matter how accurate the printing and the wrapping machine, slight variations appear that soon throw the designs off center. These are due to atmospheric variations which affect cellophane.

Several control devices have been tried out. Using metallic links through which electric contacts are made and broken increases costs. So does punching holes in the wrapper at fixed intervals. And adjusting the unwinding roll by hand adds an extra operator.

Package Machinery Co. has now worked out a solution that is meeting with success. With the aid of Westinghouse and General Electric it has adapted a photo-electric cell to its automatic wrapping equipment. The electric eye "watches" either a spot printed on each wrapping section of cellophane or some feature of the wrapper design, makes the necessary compensations in the mechanism to ensure accuracy within $\frac{1}{32}$ in. Cost of operation is negligible and cellophane is 10% cheaper in rolls than in sheets.

Childs' "Eat All You Can" Is Now "Eat All You Can Pay For"

The novelty wore off, pocketbooks wore down, and guests went back to cheaper combinations

THE fixed-price, all-you-can-eat meals, introduced last year in Childs Restaurants (*BW—May13'31* and *Oct14'31*), have been discontinued. Their passing marks, in a way, the end of unit responsibility and the return to headquarters control.

A year ago, "All you can eat for 60¢" seemed like a good deal to the restaurant-going citizens of New York, where the scheme was first tried out. They came, they tasted, and they ate—some of them too much.

Eventually, of course, the novelty wore off. People stopped ordering seconds and thirds to see if they could get away with them, and with appetites tested and established, went back to the lower-priced combinations. Moreover, 60¢ was a bargain price in 1931, but in 1932, after a year of falling food costs and leaner pocketbooks, it's a lot of money.

In the new, non-caloric era, of which the "Guest Meal" was the symbol, managers were given the word to go ahead on their own responsibility. They planned their own menus, introduced any innovations they had in mind. Unfortunately, they did not have very many. Trained to take orders, they found it hard to originate them.

So, on June 1, the headquarters staff, which had acted more as a coordinator, resumed control. Menus were standardized. The unit manager's discretion was limited to the "rider," that little slip clipped to the main menu which features "specials," certain dishes on which the unit happens to be "long" at the time.

The new uniform menus take into account variations in local habits and tastes. There is one menu for the Fifth Avenue places, no strangers to top hats and decolleté. There are others for business districts where the lunch trade is the main item, and for the older units in less fancy localities.

Childs Restaurants represent perhaps the most complete cross-section of city life; locations vary from white tile grottos under the El to Spanish palaces under great and fashionable hotels. Yet prices vary but a few per cent; ham and eggs cost but a nickel more on the Avenue, despite rents that are double.

Deft and pretty maidens no longer

flip flapjacks in the front windows. When the company went on the Avenue, some years back, they were considered undignified, and their place was taken by less enticing displays of fruit. However, the pancakes themselves may come back to their old position up front. The company is experimenting in the Times Square unit with a machine which makes 3 cakes when you press a button. It isn't a very pretty machine.

Chain Phone Stunt Sells Refrigerators

APPLICATION of the century-old chain letter idea to the more modern communication medium, the telephone, brought Wm. Beck & Son, northern New Jersey dealers in Leonard Refrigerators, orders for 16 refrigerators, totalling nearly $4,000, in less than three weeks.

Personal friends of the proprietor started the "chain" by telling other friends that someone at a given telephone number wanted to talk with them. Those who called up heard a brief message urging them to see the new refrigerator, a statement of time and weather—radio broadcast style—and the suggestion that they tell more friends to call the number.

During the height of the campaign calls came in at better than one per minute. Results: 8 refrigerators sold the first week, 5 the second, 3 the fore part of the third week and many live prospects still.

Ice Man Launches A Counter-Attack

HAVING lost his front trenches and several support lines to the electrical refrigerator manufacturer, the ice man has launched a counter-attack. He is now surging over the top in newspaper advertising carried on simultaneously by ice dealers in several big cities. Tactical high points:

Consumers are urged to submit their ice boxes to an inspection. A qualified box will carry the proud blue-sealed boast that it is an "Approved Refreshcrator"—leaving "refrigerator" to the electrical invader. A customer whose equipment is so signed and sealed may then pay a flat monthly sum for a service that will keep his ice chamber filled, regardless of daily use.

But the counter-attack goes farther and bitterer than that. The ice man will stress his claim that electrical refrigeration is "dry cold," that moisture deposited on the coils is absorbed from the food; that only a modern properly baffled ice "refresherator" can supply the circulation of air needed for proper refrigeration; that the variation of temperature due to the constant cutting off and on of the electrical substitute has a tendency to break down the physical structure of the food.

Couzens' Special Radio Request Brings In the Red Ink Blues

THROUGH a report of the Federal Radio Commission, the radio industry broadcasts a blues that would do credit to Gershwin himself. This is somewhat puzzling to observers who have seen an increasing amount of advertising seeking the air channels, who have discovered small evidence of poverty about the offices of the big broadcasting companies.

The commission's report results from an investigation demanded by Senator Jim Couzens, of Michigan, chairman of the Interstate Commerce Committee, which controls radio legislation. Evidently the senator had been irked by overloading of commercial broadcasts with high-pressure selling. He wanted to find out whether government ownership of broadcasting was feasible, whether advertising might be controlled or prohibited. The report takes a hearty slap at the idea of government ownership, and there is something more than an intimation that broadcasting conditions are pretty sound just as they are.

Chance for Curiosity

Those who know the Senator from Michigan cannot imagine his accepting the report without poking a curious finger into some of its conclusions and figures. The commission states that last year the National Broadcasting Company lost $2 millions, while the Columbia system made a profit of only $794,724. Columbia's gross intake from advertising was $11,621,424, that of N.B.C. $25,895,959. Total investment: N.B.C., $6,193,000; Columbia, $4,527,000.

Breakdown of expenditures is interesting. Principal operating costs (including programs, regular employees, A.T.&T. wire rentals, research) totaled in the case of N.B.C., $16,394,000; there are "other expenses" of $12,027,000. Columbia's operating costs (programs, A.T.&T. wire rentals, regular employees) were $4,104,000; "other expenses," $5,875,934. It is conceivable that, when the inquisitive Couzens eye encounters these items, the inquisitive Couzens mind may want an explanation of the "other expenses" which in one case are within $4,367,000 of the principal operating cost total, and in the other case are in excess of that total by $1,771,000.

The broad movements of advertising expenditures are illuminating when examined in this connection. According to *Standard Trade and Securities*, magazine lineage slumped 25%, newspaper lineage slumped 15% during the first 4 months of this year as compared to last. The same authority says radio advertising increased during that period. Specifically, tobacco advertising rose 51%, drugs and toilet goods 50%, foods 36%. Dollarage of advertising broadcasts is said to be one-third of magazines, one-fourth of newspapers.

A Lag Just Now

Right now there appears to be a lag in broadcasting increase; but the big networks hope that larger individual appropriations will overcome the loss in number of customers. (In April, 1932, N.B.C. had 130 accounts, as against 143 last year; but revenue this year was $2,649,000; last year, $2,193,000.)

Estimated 1931 receipts of all broadcasting enterprises were $77,758,000; expenditures, $77,995,000.

Findings of the report are generally in favor of present conditions, opposed to greater government interference. Some of the conclusions are:

A government system would be very costly, requiring from $100 millions to $175 millions.

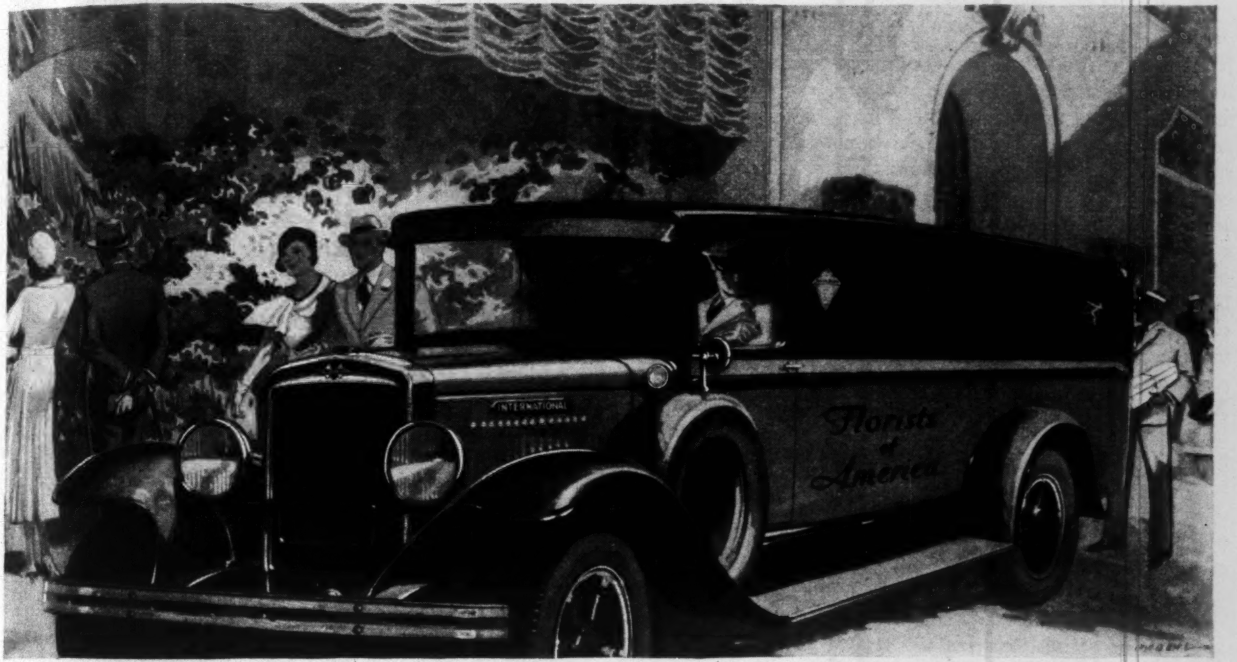
New legislation would be necessary to enable the commission to control advertising ballyhoo. (Sales talks consume 18.11% of broadcasting time devoted to commercial programs.)

Reduction in use of direct advertising allowed the sponsor of a program would result in a serious decline in radio business.

Use of stations for educational broadcasting can be left to the voluntary action by the present companies.

It does not appear practicable at present to permit only the bare announcement of program sponsorship.

"Say it with Flowers"



and International Trucks will be glad to serve you

THE Horticultural Industry in the United States today values its land and equipment at more than $300,000,000, and does an annual business of close to $200,000,000.

International Harvester takes pride in its service to this great industry. International Trucks take flowers from grower to wholesale commission house ... to retail florist ... to the ultimate destination.

Whether you own an International, or patronize the International owner, these trucks will be glad to serve you, and the benefits of International trucking economy are yours either way.

In these times, with proved economy the vital factor in truck purchase, Internationals have set a remarkable record. Look carefully at the low-cost figures at the right. There you have the principal reason why, despite general business conditions during 1931, International almost equaled its record for 1930 ... though total new-truck registrations fell off 22%; *and it is also the reason why International sales so far this year are well ahead of last!*

Do not make any truck investment until you have seen what International has to offer you ... models for every possible requirement, in capacities from ¾-ton to 7½-ton, and at chassis prices as low as $615.

The largest Company-owned truck service organization in the world will help your International give you the *full value* that is built into it. Let the nearest Branch or Dealer arrange a convincing demonstration.

INTERNATIONAL HARVESTER COMPANY
OF AMERICA
(INCORPORATED)
606 S. Michigan Ave. Chicago, Illinois

Typical International Cost Figures

A Chicago florist operates an International for three years for less than 5 cents a mile, all costs included.

A baker operates hundreds of Internationals at average cost of 5¾ cents a mile.

Another baker operates a big fleet at average cost of 5½ cents a mile.

A laundry operates a ¾-ton International thirteen months at cost of 3.4 cents a mile.

A long-distance hauler operates a 2-ton International twenty months at cost of 6.2 cents a mile.

A farmer operates a 1½-ton International two years at cost of 4.4 cents a mile.

A bottler operates a [illegible]½-ton International 34,000 miles at less than 3 cents a mile.

Another bottler operates a 6-cylinder, 2-ton International for under 6½ cents a mile.

A transfer company operates a 6-cylinder, 1½-ton International twelve months at cost of 4⅓ cents a mile.

An oil company operates a 3-ton International with tank body 33,000 miles at a cost of 6.9 cents a mile.

Names and complete facts on these and other records will be sent on request.

Ask for demonstration of the New 1½-ton 4-speed Model A-2. Now reduced to

$615

for the 136-inch wheelbase chassis f. o. b. factory. Other sizes range from ¾-ton to 7½-ton.

INTERNATIONAL TRUCKS

Budget's "Personal" Tenth Shows Expansibility of Public Demand

9. The American Consumer Market —A Study by The Business Week

NEXT to the food they eat, the houses they live in, and the means of moving themselves about the country, the American people in recent years have been spending more money on the odds and ends that contribute to their personal adornment, satisfaction, convenience, or exhilaration than they have on their clothing or any other item in their living budget. Just as the extraordinary expenditures of American consumers for transportation, as compared with other countries, reflect the restlessness of the American temperament, so the vast outlays that are comprised under the broad heading of personal expenditures are symptomatic of the diversity of the spending impulse as well as the enormous buying power in the American consumer market.

We Like to Buy

Buying something is as characteristic a source of satisfaction for the typical American citizen as saving something is for the European, and it takes many forms. Expenditures for recreation, social activities, health, and education all reflect this freedom and indefinite expansibility of American consumer demand, but it is most sharply seen in the class of expenditures here considered.

In the accompanying table are summarized under 9 general heads 43 separate items which have been classed as personal expenditures. The basis of the classification is open to endless discussion, but the common characteristic is simply that the goods and services included are peculiarly individual and do not logically fall into any of the other general classes of consumer expenditure.

"Smoking" covers expenditures for cigars, cigarettes, smoking and chewing tobacco, snuff, pipes, and smokers' articles of all sorts. "Drinks and Narcotics" includes soft beverages, and both legal and illicit distilled and vinous liquors. "Personal Adornment" covers cosmetics, hair-goods, combs, hairpins, razors and razor blades, barbering, hairdressing, and beauty parlor performances. Under "Jewelry and Gadgets" are grouped beads, trinkets, emblems, badges, watches, pocket-knives, and nail files. "Correspondence and Communication" includes pencils, fountain pens, portable typewriters, personal stationery, non-business purchases of stamps, postcards, telegrams, cables, telephone calls, and post-box rentals. "Leather Goods and Luggage" covers pocketbooks, cardcases, wallets, briefcases, and all kinds of luggage. The items under "Care of Clothing" include personal hand laundry, repairing, pressing, dyeing and cleaning, and shoe repairing. "Miscellaneous" groups cut flowers, safe deposit box rentals, postal money orders, interest on consumptuary loans for the purchase of all kinds of goods except automobiles, and on other personal loans, with tips and gratuities.

Obviously estimates for some of these items must necessarily be conjectural, but a fairly solid basis of fact exists for most of them. In some instances, as in soft beverages, for example, where spring and mineral waters and soda fountain beverages are not included, and the product of innumerable small bottling and retailing plants could not be covered in the census figures, there is little doubt that the estimate is far below the truth, probably by 50%. The same applies to other items as well, so that it is a fair statement that these figures represent a most conservative or even a minimum estimate of the total of personal expenditures by American consumers.

Yet such as they are they show that in the peak year of prosperity, 1929, nearly $10½ billions was spent in these ways. The amount has grown steadily in fairly constant proportion to the rise in the national income, and has fluctuated closely with the years of prosperity and depression. Roughly a tenth of the total American consumer budget is spent for these purposes.

Drinks Succeed Smokes

At the outset of the period, before prohibition days, smoking was the most important of the general items of personal expenditure, slightly exceeding the outlay for drinks and narcotics. But since prohibition, expenditures on beverages, hard and soft, have nearly doubled, due altogether to the rapid increase in expenditures for illicit liquor. For 1929 the latter item, according to the most careful estimate, amounted to $2.3 billions, about the same as the American people spent as individuals on education, apart from the cost of public schools.

Another item in which there has been a similar sharp increase, and which has become third in importance among the classes of personal expenditure, is that of personal adornment, which means chiefly the barber shop, the beauty parlor, and the cosmetic counter. This is

Personal Expenditures of American Consumers
(In Millions)

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Smoking	1,537	1,652	1,643	1,644	1,645	1,694	1,746	1,803	1,860	1,920	1,980	1,964
Drinks and Narcotics	1,490	1,851	1,460	1,509	1,528	1,672	1,835	2,046	2,374	2,425	2,734	2,325
Jewelry and Gadgets	828	963	553	635	811	763	805	840	815	828	911	450
Personal Adornment	755	837	669	740	836	903	987	1,087	1,127	1,287	1,337	1,075
Confectionery and Chewing Gum	732	811	526	573	606	615	635	647	670	667	666	353
Correspondence and Communication	598	635	650	692	756	787	826	889	902	935	974	961
Care of Clothing	272	344	392	385	409	455	485	599	670	764	831	946
Leather Goods and Luggage	162	176	137	157	184	184	197	210	219	233	254	134
Miscellaneous	559	599	580	591	619	663	697	718	753	772	810	695
GRAND TOTAL	6,933	7,868	6,610	6,926	7,394	7,736	8,213	8,839	9,390	9,831	10,497	8,903

HENRY FORD ON FARM AND FACTORY

DANGER to our country is to be apprehended not so much from the influence of new things as from our forgetting the value of old things. At present, much that is blamed on the new thing—the machine—should perhaps be blamed on our forgetting what we had before the machine came, namely, the land. The two belong together; they cannot live apart; there is no antagonism between them; they must be reunited.

I do not look for less but more use of machinery. If the world is to have even a minimum supply of goods, it must utilize the machine. The people will never willingly forego the help which the machine gives them in their work.

Besides, machinery makes more jobs. It enables every one to enjoy inexpensively the comforts and conveniences of modern living conditions. As for overproduction, *we have never yet had a sufficient production* of all the things which the family needs. It would be splendid if the world should seriously attempt to overproduce everything that everybody needs! We should then discover that our present machine facilities could not even catch up with the need. Give the world a money system that makes it easier for goods to flow from man to man, and all the factories on earth could not begin to supply a tenth of the demand.

But it is possible to expect of the machine more than it can do. We cannot eat or wear machines. If the world were one vast machine shop, it would die. When it comes to sustaining life, we go to the fields. The machine may help us plant, cultivate, harvest, grind and bake the grain for bread. The machine may weave and cut and sew for clothing. The machine may transport these necessities for our use. In doing so, it serves in partnership with the land. And it is that relation and balance which I am urging upon our people today.

> *WE ARE still in the early stage of world-making. To stabilize conditions at a given point or to reject progress because it brings problems with it, is impossible. We need to plan how to pass through necessary changes with the least human hardship. Economic changes must come and it is possible for men to be in a position to welcome rather than dread them. With factory and farm as partners, with one foot on the soil and one foot planted on industry, we should be in a position to hail the new epoch without fear. The land would protect us from needless anxiety.*

Ten years ago we started seven village industries on small water power sites, all within twenty miles of Dearborn, our purpose being to combine the advantages of city wages with country living. The experiment has been a continuous success. Overhead cost has been less than that in the big factory, and the workers would not hear of going back to the city shops. As they are free to till land in the growing season, throughout these trying times they have all remained self-sustaining. Their security is produced by machine *and* farm, not by one alone.

While this experiment has fully justified itself, I have felt that it is only a step in the right direction. Excellent as village industries are, they do not really bring industry and agriculture together. For a long time now I have believed that industry and agriculture are natural partners and that they should begin to recognize and practice their partnership. Each of them is suffering from ailments which the other can cure. Agriculture needs a wider and steadier market; industrial workers need more and steadier jobs. Can each be made to supply what the other needs? I think so.

The link between is Chemistry. In the vicinity of Dearborn we are farming twenty thousand acres for everything from sunflowers to soy beans. We pass the crops through our laboratory to learn how they may be used in the manufacture of motor cars and thus provide an industrial market for the farmers' products. I foresee the time when industry shall no longer denude the forests which require generations to mature, nor use up the mines which were ages in the making, but shall draw its raw material largely from the *annual* produce of the fields. The dinner table of the world is not a sufficient outlet for the farmers' products; there must be found a wider market if agriculture is to be all that it is competent to become. And where is that market to be found if not in industry?

I am convinced that we shall be able to get out of yearly crops most of the basic materials which we now get from forest and mine. That is to say, we shall *grow* annually many if not most of the substances needed in manufacturing. When that day comes, and it is surely on the way, the farmer will not lack a market and the worker will not lack a job. More people will live in the country. The present unnatural condition will be naturally balanced again. Our foundations will be once more securely laid in the *land.*

The day of small industry near the farm will return, because much of the material grown for industry can be given its first processing by the men who raised it. The master farmer will become, as he was in former years, master of a form of industry besides.

An old Roman said that corn was never so plentiful in Rome as when the men who ruled the state were those who also tilled the fields. It will be so with our people when those who fabricate the utilities of the world are those who raise the raw material from the fields.

One thing is certain—we must go on—present conditions cannot be stabilized—life goes on. I suppose that in 1632 there were people who urged that the world had gone far enough and that it should be halted and hardened into the pattern of 1632. And again in 1732, others thought that a line should be drawn and conditions stabilized. In 1832 the same proposal — it is always made — every generation makes it. Suppose the world had halted at any of those dates! Are we to declare that 1932 is the date at which development must cease and the world be stabilized just as it is? It cannot be done. Life would burst any barriers we might raise against its ongoing. We do not yet control all the materials out of which to assemble a world that is worthy to endure unchanged. Our times are primitive. True progress is yet to come. The industrial age has scarcely dawned as yet; we see only its first crude beginnings.

We are pioneers, and pioneering has its hardships. This generation is composed of economic pilgrims, passing out of less desirable conditions into what we hope shall be more desirable ones. That is the meaning of these times. We are not going back, and false prosperity is not soon coming back. It would be well to interpret present conditions in this light and help each other in the good old pioneer way, as we pass through them. We are going to renew our stake in the land; for the land is the foundation of the economic security which we seek.

Prepared and paid for by the Ford Motor Company as a contribution to public welfare.

commonly ascribed to the increased interest of women in their personal appearance, but the figures indicate that men have played an increasingly important part in this type of expenditure, for the money spent in barber shops has increased somewhat more rapidly than that in beauty parlors and hairdressing establishments.

Outlay for laundry and care of clothing has shown the most remarkable increase of all, amounting in 1929 to more than three times as much as in 1919. In contrast to expenditures for jewelry and the like, which shows sharp declines in depression years, outlays for care of clothing appear to rise as the second pair of pants is taken to the tailor to be refurbished and the shoes go to the cobbler a second time.

Other interesting sidelights on the changing manners and customs of the American consumer, shown only in the detail of the personal expenditure items, are the passing of the transformation and similar artificial hair construction activity, and the rise of the fountain pen and the portable typewriter as part of the capital equipment of American authorship during the period of literary overproduction and active check writing ending in 1929.

Wheat Prices Need More Help Than a Crop Shortage Can Offer

In spite of the short wheat crop in the United States indicated by the official June 1 condition report, the response of the grain markets to prospects of improved prices has been disappointing. The total wheat crop estimated on the basis of condition on June 1 will not be much over 700 million bushels as compared with nearly a billion last year, because of deterioration in winter wheat, chiefly the hard red variety, which is the principal kind exported.

The winter wheat harvest indicated is about 411 million bushels compared with 787 million last year and a 5-year average of 549 million. The condition of the winter wheat crop on June 1 was 64.7%, or 12 points below the average of the past 10 years. The condition of spring wheat was 84.5%, higher than last year's poor crop but also below the 10-year average, and worse than was expected by unofficial observers.

Taxes, Mortgages Determine Cost

Nebraska, Kansas, and Oklahoma were the worst sufferers among the winter wheat growers. The yield per acre in winter wheat states this year averages only about 12.7 bushels compared with 19.2 last year and a 10-year average of 14.8. Since taxes and mortgage interest charges are now the chief factors in costs, and have shown no reduction, a drastic rise in prices would be necessary to offset these low yields which determine production costs.

Farm wages are about 6% below prewar, but taxes are 150% above, and the cost of things farmers buy for production and living purposes are 12% above. The general level of farm prices is now about 43% below pre-war and wheat has been selling in recent weeks at or near the lowest prices on record. In spite of the anticipated short crops, wheat has declined about 10¢ a bushel during the past two weeks.

The effect of a shorter crop has apparently been discounted by the markets, and wheat prices are still subject to the steady downward pressure of the gold price level in world markets. With normal exports, a 700-million bushel wheat crop would leave less than enough for domestic requirements and domestic prices might be expected to respond sharply. But the gold price level which prevails in this country is still declining, and European importing countries are putting severe restrictions on imports to maintain the gold values of their currencies and to encourage home production.

Export Outlook Dark

Wheat in most European countries is bringing over $1.75 a bushel in domestic markets. The prospect of markedly increased export demand at higher prices, for American wheat is not promising. There is no indication of a world shortage of wheat supplies, even though Russia will not be a large factor in the market this year. The Canadian crop condition is favorable, and the decision of the Canadian government not to continue paying the bonus of 5¢ a bushel for the new crop has led to large-scale dumping of the old crop by Canadian farmers and will help hold down prices.

Although the carry-over in the United States is smaller than last year, and will be somewhat further reduced by an additional distribution of 50 million bushels of Farm Board wheat for relief by the Red Cross, the supply will be ample to cover domestic requirements and prospective exports. It is evident that marked improvement in wheat prices depends upon some new stimulus from change in international business conditions and in the factors affecting the general price level of commodities.

Westchester Builders Try A Little Self-Help

Westchester County, next north of New York, has enjoyed a spectacular growth in recent years, promoted by its accessibility to the metropolis, its varied rolling country, and its program of development. Always keenly "county-conscious," Westchester has planned its growth, is best known for its parks and motor roads.

Like everything else, county development has been hit by the times. Salary cuts and dividend cuts stopped many family projects for "moving out to Westchester." Building slowed up.

Last spring, county real estate interests met to consider the problem. A home ownership and construction conference, meeting in White Plains, reviewed causes and cures, and planned to coordinate activities of existing groups, enlist cooperation in the consideration of zoning and community planning, construction standards, home financing, modernization, decoration, and maintenance. This organization has now been made permanent, and a committee appointed to carry out the work.

County bankers have formed a home finance committee, backed by the 3 large title and mortgage companies and the Bowery Savings Bank of New York. An initial fund of $1 million has been raised to stimulate building through loans for small homes in amounts not to exceed $9,000.

Congress Tells How To Avoid Check Tax

For the benefit of members whose constituents issue large numbers of checks, the House has very kindly caused to be printed in *The Congressional Record* full directions for evading the 2¢ tax on checks in the new revenue law. Moreover, the method has been approved by the Treasury itself.

The tax applies to "drafts, orders, or checks, drawn on any bank, banker or trust company." It does not apply to orders on oneself to pay. A check reading, "Abracadabra Trust Co., pay to the order of John Doe, signed, Richard Roe Co." needs a 2¢ stamp. Change it to read, "To Tom Till, Treasurer, Richard Roe Co., pay to the order of John Doe, payable at Abracadabra Trust Co." and there is no charge.

At the end of the day, all the orders honored at the bank are lifted by a single check on which the tax is paid.

These orders to pay must be cashed at the stated bank, of course; it is doubtful if they can be cleared like a check. Companies with small payrolls whose employees have widely scattered banking connections may therefore continue to pay by check and pay the tax for the sake of convenience and safety. Those with large payrolls, especially where employees promptly cash their checks, have a way out.

Farm co-ops, purchasers of dairy products, poultry, and eggs, some of whom issue astonishing quantities of small checks (1 million a year is not unusual for even a small company) will thus be able to continue on a paper-payment basis.

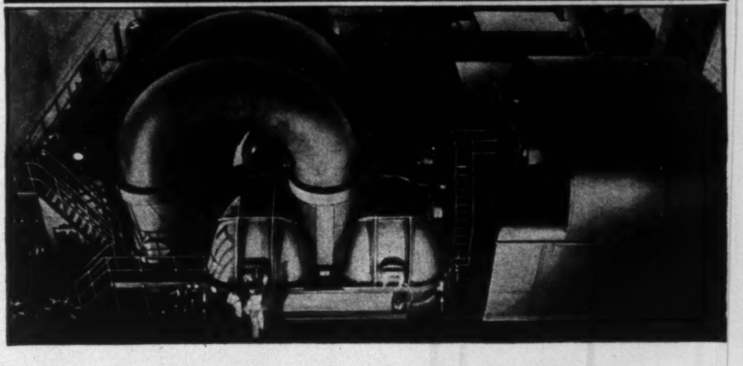
All the details, including forms for the orders, are available in *The Congressional Record* of June 4, 1932, p. 12373, courtesy of Mr. Baldridge, the gentleman from Nebraska.

Kansas Taxpayers Turn From Cussing to Study

ACCEPTING the inevitability of taxes, a group of pioneering Kansans has decided to spend less time in cussing, more in studying them. Tax Study Clubs are being formed all over the state. The object is to educate a picked band in each community whose knowledge of fundamentals will aid the state in the adoption of intelligent tax legislation. The work began early in the spring. Chambers of commerce and farm organizations, mostly in smaller towns, made immediate response.

Credit for the idea belongs to the Kansas Chamber of Commerce, Topeka. It created a permanent Committee of Public Information which will handle other subjects of vital economic importance. The chamber's tax research is neutral, presenting both sides of each controversy and leaving the students to form independent conclusions. University experts drew up the text-pamphlets which cover 13 phases of the problem. Clubs pay 60¢ a set for these. Groups include 12 to 15 students. The sponsors plan to reach 7,000 taxpayers. They figure that 3 leaders of influence can sway 100 voters.

PIONEERS OF POWER



In 1800, Alexander Macomb threw a crude dam across the waters of the Harlem River, in New York. On the dam he built a grist mill—"away out" in the woods north of the city. Today, not far from the site of the old dam, the same river helps to run gigantic steam turbines; and the turbines turn out electric power for a crowded city of millions.

From Macomb's dam to the steam turbine is the span of the whole industrial revolution in America. It is also the span of the Manhattan Company.

Macomb was a founder and director of the Manhattan Company. His daring venture was a part of the pioneering spirit that animated so many of its early directors—builders of America's first locomotive . . . launchers of its first steamboat . . . planners of the Erie Canal.

Successor to the quaint "power plant" that Macomb built, has grown a great industry. Side by side with that industry has grown a great bank. It is characteristic of both that, while they look with pride to the past, they look with courage to the future.

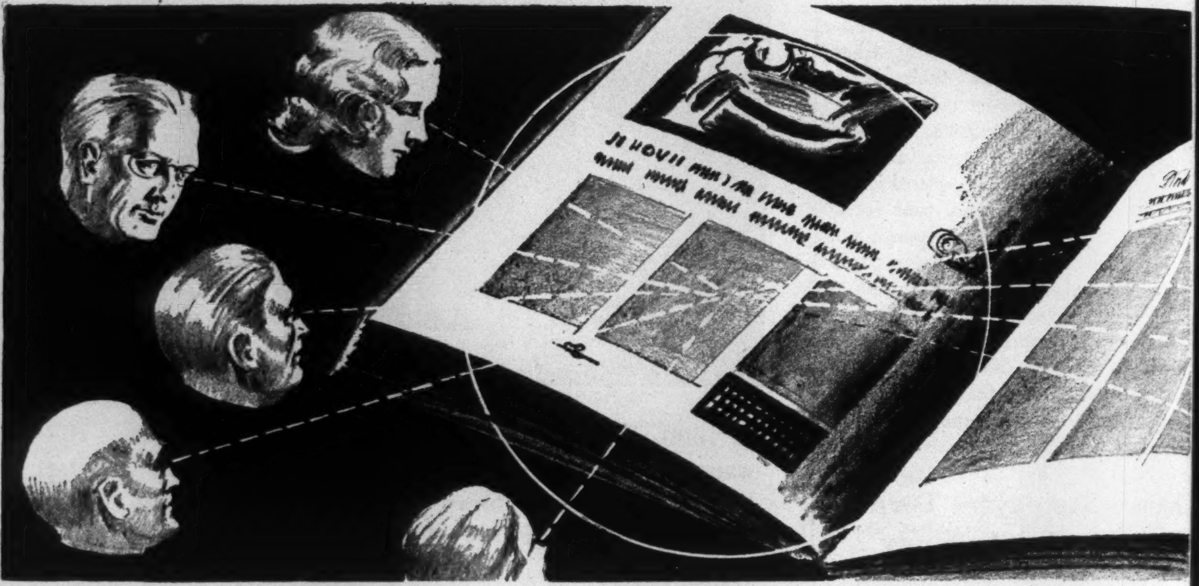
BANK OF MANHATTAN TRUST COMPANY

Capital, Surplus and Undivided Profits over $66,000,000

A UNIT OF THE MANHATTAN COMPANY

MAIN OFFICE: 40 WALL STREET, NEW YORK, N. Y.

YOU have to



THE proud father can dilate on the deeds of his offspring . . . and his guests *have to* sit there and listen. But the proud manufacturer can't afford to be boresome in advertising his product . . . it's too easy for the reader to turn the page.

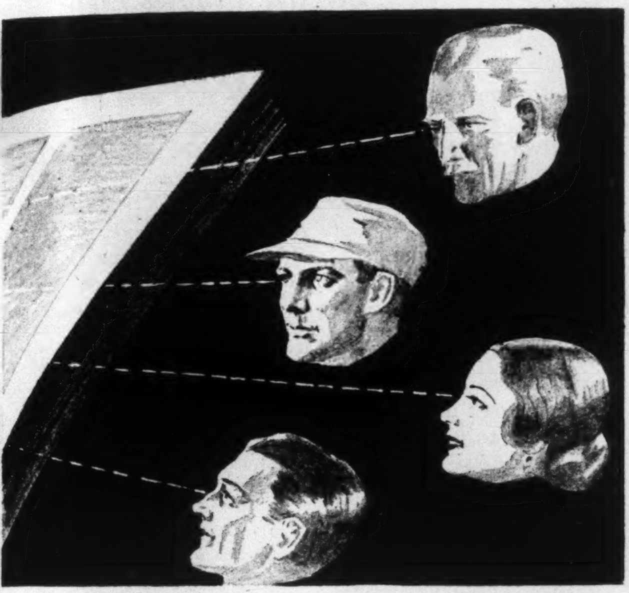
If you want your advertising to win attention and action, you must face this fact: people aren't naturally interested in your sales story; you have to *rouse* and *hold* their interest. It takes experience, skill, and a knowledge of human nature to do a good job of that.

For one thing your advertising must be attractive. People are naturally curious. Show them an illustration that piques their curiosity, a layout that catches the eye, a headline that intrigues them, and you'll stop them.

But once you stop the reader, you have the harder job of holding his interest and making him read on. To do that, you must talk *his* language. You must look at your product from *his* viewpoint. People are interested primarily in themselves. They want to know what your product will do for them. How it will satisfy their fundamental wants and desires. How it will make life or business easier, pleasanter, more profitable for them.

The advertising agency knows how to create such advertising. Its staff is far

MAKE the public WANT to read your advertising



enough removed from your organization to get a clear perspective of your sales problem—to bring you the *outside viewpoint*. The agency offers you a wide experience gained by selling a variety of products. And it has the facilities, the knowledge, the ingenuity to go out among your prospects and make certain, before it writes your advertising, just what theme your campaign ought to adopt.

Thumb through a magazine. Look at the advertisements that make you want to read them. Do a little investigating—you'll find most of them are the work of advertising agencies. Take the hint. Call in a good agency and make people *want* to read *your* advertising.

McGRAW-HILL
PUBLISHING CO.
INCORPORATED
330 West 42nd Street · New York, N. Y.

▼

Because McGraw-Hill's continued success depends upon the success of its advertisers, we publish this, the fourth of a series of talks on the value of advertising agency service in the creation of sales-producing campaigns. We believe that a frank discussion of the basic jobs that the advertising agency undertakes will result in a better understanding of the advertising agency's functions.

▲

Insurance Companies May Face A New Set of Valuation Rules

Insurance companies are a bit uneasy about possible changes in the method of evaluating their large security holdings for future statements of financial condition. The meeting of the executive committee of the National Convention of Insurance Commissioners at Chicago on June 22 will undoubtedly consider the desirability of continuing the "convention valuation" widely adopted in December, 1931. This system permitted insurance companies to evaluate their bond and stock holdings on the basis of quotations of June 30, 1931, which on the average were some 80% higher for stocks and 30% for bonds than those prevailing at the year-end.

New York's Warning

Early this year, Commissioner Van Schaick of New York wrote a letter to fire and casualty companies, whose funds are heavily invested in stocks and bonds, warning them that the "convention" values were adopted as a temporary expedient to permit companies more time to improve their financial situation. The eagerness of stock companies to continue their dividend payments had led them to take full advantage of the leniency in order to show a substantial surplus. The wave of capital reductions, mergers and dividend cuts that has been gaining momentum in the past few months testifies to a belated stirring among these companies. Since life insurance companies have 38% of their funds invested in mortgages and an equal amount in stocks and bonds combined, the possible change in requirements falls less heavily upon them. Moreover, all states permit life companies to use in their statements the amortized value of bonds, which at present is considerably higher than market quotations. Some states extend this privilege to fire and casualty companies.

Connecticut Stands Alone

Commissioner Dunham of Connecticut stood almost alone in his opposition to the "convention" method of security valuation, and after consulting Prof. T. S. Adams, of Yale, announced the schedules which would be acceptable in his state. While it was recognized that the market quotations of Dec. 31, 1931, did not "truly reveal the actual market values of securities," it was felt that the "convention" values were misleading to stock and policyholders. Hence it was provided that the "convention" values might be used with certain reductions.

The use of "convention values" is not a new device, but has been employed in previous periods of stress and market liquidation. The results of the discussion of the commissioners next week are in no way binding upon the various states. They serve chiefly as a clearing ground for opinion.

The fact that security values have not ceased their downward trend but are 44% below the year-end quotations for stocks, and 15% for bonds, will add to the difficulty of the problem for the commissioners, who are torn between the desire to obtain a conservative statement of assets and liabilities of these large financial institutions and the desire not to be so severe that a statement of paper values will result in technical insolvency for many companies.

The situation is particularly serious for a large number of fire and casualty stock companies that in the past decade became virtual investment trusts but escaped the burden of the capital gains tax of the trusts. These insurance companies added to the difficulty of an already crowded field by ignoring any necessity for profits on their underwriting business as long as they could produce dividends by the investing of policyholders' money in a wide variety of common and preferred stock. The tremendous shrinkage of security prices has left them in a precarious position and has forced many of them to retire from the field or into consolidations.

Electric Utilities Plan To Do Own Housecleaning

Chastened by the times, electric utility men insist they have learned their lesson as thoroughly as any industry, and as quickly. The spirit of the group, expressed clearly enough at the annual convention of the National Electric Light Association, is to get rid of internal politics, concentrate on the job in hand, make sure henceforth that bad actors in the industry shall not imperil the welfare of all.

B. C. Cobb, chairman of Commonwealth & Southern, tacitly admitting the utilities had been wrong in permitting bad practices—financial, political, public relations—to go unchallenged, voiced

International News

Simpson and Sons—*Parallels between the careers of James Simpson, retiring chairman of Marshall Field, and Samuel Insull, retiring chairman of scores of directorates: each came to this country young; each served as private secretary to a great man; each became eminent. Now Insull steps down; Simpson succeeds him. Insull came from England; his successor is Scotch. At the left is William, at the right, John, sons* the new attitude. "This industry is big enough, strong enough, brave enough, to take vigorous action against those whose unsound practices imperil the welfare of other members and tend to bring upon us super-governmental control." Floyd L. Carlisle of Niagara & Hudson expressed the same policy.

To get rid of internal politics, the association abolished its traditional electoral practices.

Utility men see marketing possibilities in every direction—in air-conditioning, in the home, in industry. They regard electric cookery as a most promising field for immediate exploitation. Preston S. Arkwright, president of Georgia Power, was named head of a National Electric Cookery Council, which is to organize local councils.

Discouraging factors: Sales of domestic appliances, which have been holding up remarkably well through 3 years of depression, have fallen off abruptly in the last 6 weeks.

Exhibits at the convention showed startling technical advance. Power plants could greatly increase their efficiency; new plans are ready for development. But the credit situation stymies all such progress. In the electric utility field, earnings are not at all discouraging. But cash has to be conserved to meet maturing notes. Until short-term obligations can be converted into long-term, there can be little expenditure on capital account.

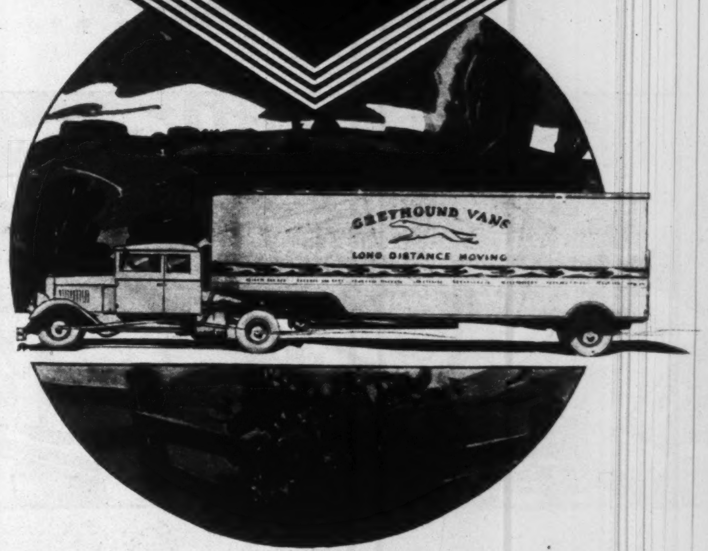
Shot Welding Process Finds Further Uses

RAPID extension of the use of stainless steel in construction is expected as the result of a contract just closed by which Edward G. Budd Manufacturing Co. licenses the U. S. Steel Corp. to use the Budd system of stainless steel construction and shot welding.

Stainless steel has been restricted in use because ordinary methods of riveting or welding were either too expensive or impaired valuable characteristics of great strength, ductility, and noncorrosiveness. The patented Budd shot welding process prevents unfavorable after-effects (*BW—Mar2; Mar9'32*) and has been made the basis of an entirely new system of metal construction.

The Budd Co. will continue to employ its process in the manufacture of railway cars, automobile parts, and airplanes. U. S. Steel expects, through its various subsidiaries, to use the method in the construction of ships, bridges, and other major construction projects.

CENTER THE RESPONSIBILITY
of long distance Moving



ON GREYHOUND VANS

Phone the nearest office for an estimate on your shipment . . . It will be given without obligation.

YOU can place the entire responsibility of a long distance moving job with Greyhound Vans, Inc. Such confidence is well placed, because of a great nation-wide system which eliminates the extra cost of vans returning empty. • Up-to-date equipment —padded vans—careful and courteous men—insurance enroute—plus the resources of a national organization is your guarantee of responsible long-distance moving service at lowest cost. • Greyhound Vans, Inc., have offices and agents in all principal cities. If anyone in your organization is planning a long distance move, phone the nearest Greyhound Van office for information.

GREYHOUND VANS, INC., Cleveland, Ohio

OFFICES IN:
Atlanta, Ga.
Baltimore, Md.
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Cincinnati, O.
Cleveland, Ohio
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Dallas, Tex.
Dayton, O.
Detroit, Mich.
Indianapolis, Ind.
Kansas City, Mo.
Louisville, Ky.
Minneapolis, Minn.
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Newark, N. J.
New York, N. Y.
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GREYHOUND
Vans

A NATIONAL LONG DISTANCE MOVING SERVICE

How about the money the consumer *doesn't* spend? . . .

CAR INSURANCE
MORTGAGE
DEED
INSURANCE
BANK BOOK
BONDS
STOCK
STOCKS

Mr. Consumer's balance sheet shows a considerable surplus at the end of each year. In fact, in 1930, his savings were greater than his expenditures for clothing. What does he do with this money? What are his savings habits? Many business men would like to know the answers to questions such as the following:

Which was the peak year for individual savings?

What percentage of insurance premiums is paid to foreign companies? To fraternal orders?

Have immigrant remittances increased or decreased since 1919?

Have policy loans increased at a faster or slower rate than premium payments?

What percentage of his savings goes to the savings bank? The insurance company? The building and loan association?

Try this questionnaire on yourself. Then look for the answers to these and many other questions in the tenth article on "The American Consumer Market", appearing in the June 29th issue of *The Business Week.*

This series of twenty articles, appearing weekly in *The Business Week,* is the first of its kind ever to be published. The first ever to undertake the tremendous job of showing *all* the expenditures of *all* the American people for *all* the years from 1919 to 1930.

Read this article—and read all the others. They will give you what no market study has ever given you before—the trend of all consumer expenditures since the war. They will show you how the wind is blowing for your business and every other business.

No matter what your business, you will find in this study data of inestimable value to you.

THE BUSINESS WEEK

330 West Forty-Second Street New York City

Where are the Consumer's Dollars Headed?

You'll find the answer in the series of 20 studies of "The American Consumer Market" now running in *The Business Week.*

Coal Wage Settlement May Upset Important Market

SETTLEMENT of the wage dispute in the bituminous coal fields of Illinois and Indiana, forecast at an early date, will bring West Virginia and Kentucky fields face to face with a new crisis. The subcommittee of miners and operators has recommended settlement on a base wage of $4 a day, against $6.10 in the agreement which expired April 1. If the subcommittee's proposal is accepted, as seems entirely probable, 65,000 miners in Illinois and 20,000 in Indiana will go back to work armed with a powerful competitive weapon against the Southern fields.

The freight rate differential to Chicago is 40¢ in favor of Southern Illinois, against Kentucky. With a reduction of $2.10 a day in base wage scale, coal men figure Southern Illinois mines will sell large lump at $1.75 a ton. To meet this price in Chicago, Kentucky would have to offer its best coal at $1.35. Smaller sizes, lower grades, now quoted at 80¢ to $1 at the Kentucky mines, would have to take a similar 40¢ cut.

Kentucky and West Virginia, with no industries of their own, look to the Middle West as their great market. They have heretofore met the adverse freight rates with low non-union wages—reported nowadays to run around $3 a day. It would seem impossible to match the union cut of $2 a day—leaving $1 a day base wage. The alternative seems to be loss of their principal market.

Illinois last year produced 11.7% and Indiana 3.5% of the total bituminous output.

Six-Hour Shifts Provide More Jobs for Workers

WITH the statement that, if every employer in the nation would follow his lead, jobs would be provided for 10 million additional workers, William E. Levis, president of the Owens-Illinois Glass Co., announced this week that his 14 plants were going on a 6-hour shift basis. Scheduling 4 shifts a day for a 7-day week, in place of the three 8-hour shifts hitherto run, will add 2,000 men to the company's payroll, raise its force from 6,000 to 8,000.

India Tire & Rubber Co., Akron, O., has also gone from 8-hour to 6-hour shifts on a 4-shift program and is operating several departments 7 days a week. The change has added 33% to the company's working force.

Standard Oil of New Jersey will inaugurate a 5-day week on July 1, a half-day less than the current schedule, for its entire domestic organization of approximately 43,000. Among benefits it lists additional employment for several thousand, stabilization of working conditions for many more, reductions in expense. Salaries above $100 a month will be cut one-eleventh; the current hourly wage base will apply to the new schedule. The plan provides that any department or plant carrying a surplus of employees after the new reduction shall make further cuts to keep its force and work in balance but that no employee shall be dropped to less than 50% of full time.

Canada's Jobless, 727,000; 36% of Its Workers

A STUDY of Canadian employment data, recently completed by 3 economists of the University of Toronto, indicates that of all the industrial working force of the Dominion, 727,000 or 36% were out of work on Mar. 1, compared with averages of 164,000 for 1929 and 497,000 for 1930. Studies were based on employment indexes compiled by the Dominion Bureau of Statistics on 8 major industrial groups which, according to the last census (1921) employed 1,570,000 persons, 50% of all gainfully employed in Canada and 74% of all excluding agriculture.

Percentages of unemployed rose from an average of 8.5% of all workers during 1929 (ranging from 2% in August to 15.2% in January) through a 1930 average of 15% (ranging from 10.7% in July to 20.0% in December) to a 1931 average of 25% (jumping from 22% in September to 28.6% in December). For the first 3 months of 1932 the percentage has continued to increase—with 33.5% jobless in January, 35.0% in February, 35.9% in March.

During 1929, when seasonal influences still predominated as a cause for unemployment, the highly seasonal construction industry accounted for 40% of those out of work in all 8 groups. Since then construction unemployment has increased from 69,000 to 125,000, but manufacturing industries now furnish the largest battalion of the army of unemployed, nearly 150,000 or 26% of their normal working force, and 30% of all the Dominion's jobless. Construction's 37% unemployment among its own personnel makes up 25% of the total out of work. Follow in order of size: service with 75,000 jobless, trade with 59,000, transport with 40,000, logging with 23,000, communications with 14,000, mining with 11,000. Within the groups, logging has suffered worst with 69% of its normal force thrown out. Construction is next hardest hit, followed by manufacturing, communications, service, transportation, mining, and trade, which has only 14.5% unemployed.

Wage Rates Aren't So Bad, But Wages Certainly Are

THE hoary fallacy that workers live on wage rates instead of on their total earnings dies hard.

A survey by Moody's Investors' Service announces that purchasing power of wages is higher than in previous depressions; that the cost of living is declining faster than wage rates. These statements are literally true, but they carry the definite suggestion that declining living costs have more than offset the decline in workers' incomes, which is false.

Wage rates mean nothing unless related to the time worked. Employees who have jobs, of a sort, work 24% fewer hours per week than normal, according to a survey by the National Industrial Conference Board. Their wage rates have dropped 13%. So their total earnings have dropped 34%.

Chemical Industry Told It Should Cut Capital

MANUFACTURING chemists, at their 60th annual meeting, listened with attentive ear to the advice given the chemical industry by T. Raymond Pierce, vice-president, Old Colony Corp.

In particular, he urged them to utilize any existing surplus to reduce capital structure. 'Capital obligations can be bought in now at unprecedented discounts. The industries which get down to the least unwieldy proportions will be at an advantage. The individual corporations which do not take these steps will be licked by those which do. Hand in hand with the retiring of stock should go the writing down of values of plants and other fixed assets.

Three Mexican States Reach For Foreign-Owned Property

IT is a mistake not to realize that socialism has made considerable headway in Latin America. Uruguay is quite often described by the exporter or banker who has had contact with that country's very liberal social legislation as being "mildly pink." Chile has threatened to go the whole way and become a socialist republic more or less on the plan prescribed by Moscow. Mexico is now experimenting with legislation very much along the same line.

Early in May, a new mining law was promulgated from Mexico City. New and increased taxes were imposed on mining concessions and on metals in various forms of production, analysis, inspection, and smelting.

Bank Laws Changed

This was followed almost immediately by a reform of the banking law which brought all banks forcibly into association with the Bank of Mexico in an effort to make this an effective central bank. The same law prevents foreign banks from engaging in speculative operations by limiting the use of all deposits in national currency to the purchase of Mexican securities and to making commercial loans within the country.

Since then 3 states in Mexico have passed, or prepared to pass, laws which, in one form or another, provide for the confiscation of large private properties and for their control by the state. The national government is protesting the right of the states and the legislation is temporarily held up.

The state of Vera Cruz, important oil producer, has taken the most aggressive step. It has ready to put into effect a law under which virtually every business and income can be taken over by the state. Complete details have not yet come out of Mexico, but advance reports indicate that Vera Cruz and the 2 other states demand the right to take over properties and operate them under state control with indemnification to the owners over a period of 10 or more years at a state-determined price.

Rubio Invites Conferences

Mexico has obviously been moving toward repatriation of its natural resources in recent years, but this newest step is evidently a bit too abrupt to please the national government. President Ortiz Rubio has invited the governors of the 3 offending states to Mexico City to go over the whole radical legislation with an idea of toning it down and bringing it within the constitutional rights of the country.

Americans are naturally interested. American investments in Mexico exceed $1½ billions. More than $400 millions are invested in oil. Mineral products of the country are 90% foreign owned. American investments in mining and smelting amount to almost $400 millions. Whether or not this move by the states to expropriate property is upheld is a matter of vital importance to both Mexican and foreign business.

New Oil Conference May Deal With Russian Loan

LIKE many of the other world conferences held in recent months, the oil conference in New York was "successful as far as it went," but it did not go far enough. It was at this conference that Anglo-Dutch, Russian, and American interests discussed export problems (*BW—May18'32*), came to no agreement.

Some of the delegates are getting together again at Paris on June 29. British and American interests have said they will attend. There has been no statement from Moscow, though it is implied in New York that the triangular discussions will be continued after the Soviet delegates have had an opportunity to confer with officials at home. It is doubted by most authorities that the Paris discussions will include Russia, at least for the time being. It is more likely that an attempt will be made to line up the Rumanian producers, who have been quite as troublesome as the Soviets (though on a smaller scale) in walking away with profitable foreign markets.

Here's the Low-Down

The most significant news in connection with the current international oil situation is the frank admission that the Russian delegates tried to sell their cooperation in world export markets for a sizeable loan, and that the other interests represented at the New York conference looked on the proposal sympathetically though there was no agreement among them on the terms suggested by the Soviets.

The Soviet Union has never received a foreign loan except as the export credits granted by various countries might be looked upon as short-term credits. They need cash badly. They have tried before to raise a foreign loan in connection with export agreements. It is entirely possible that they are now asking for $50 millions in return for cooperating with other interests in export markets, the loan to be repaid in oil—and that it will be worth that much to other distributors to have Soviet exports under their thumbs. And it is entirely probable that both sides are going to have to make concessions in their demands before final terms of the bargain are reached.

The Paris meeting late this month may be only a disguise hiding further bargaining with the Soviets, or it may be merely another effort to organize a more united opposition to their demands. New Yorkers are inclined to view it as preliminary to further world negotiations, which may not follow immediately.

Self-Drive Plan Collects Tourist Dollars for Ford

"COME to Britain," coax British posters and advertisements throughout the United States. Steamship lines back the invitation with low fares. June and July bookings in the tourist and "white collar" third classes are heavy.

American steamship lines are not alone in their determination to profit from this desire of Americans to vacation abroad instead of at home. British Ford has just announced a "Ford Self-Drive Service" with reasonable rates and many attractions.

Arrangements are easily made. Travelers write or cable ahead to the Ford headquarters in London giving the name of the ship on which they are arriving, the date, the port at which they will disembark, and the minimum length of time they will want to hire a car. When they arrive and complete the customs they will find awaiting them a Ford agent with a car, with or without a chauffeur. He will provide them with road maps and a list of the 800 Ford-appointed service stations in the British Isles.

Rates are reasonable. Including a license and insurance, a car for a week costs about $30 at the present rate of exchange. For a month it is just over $100. For 6 months, it costs $500. These rates do not include the cost of gasoline or oil.

The cars can be turned back in London or at the port from which the traveler leaves Britain.

Chile's Radical Moves Hit Foreign Business

CHILE'S future is still a problem, but the developments of the week in Santiago have not been reassuring to Americans. Just now the future looks anything but rosy for the hundreds of Americans who own the $275 millions of Chilean bonds which have been sold in this country, or for the foreign corporations which have huge investments in mining and industrial properties in Chile. All are hoping for a moderate policy but preparing themselves for extremes of radicalism.

Government decrees have conflicted. The head of the new government has already changed within a week. Policies are obviously in a state of flux.

Bank Balances in Doubt

Most significant of the new decrees to foreigners was the order for the state to take over all foreign currency deposits in the country. During the period of recent instability of the peso, many a Chilean has kept his balance in dollars, or (less fortunately) in sterling. Banks, particularly foreign branches operating in Chile, have resisted the order and there are rumors that the government will moderate this demand.

Also serious is the order of the new government converting the Central Bank into a State bank. Wall Street bankers, holding considerable balances on Chilean account, are faced with the problem of determining whether Chilean orders can be honored until conditions in the new socialist republic are more settled. Current transactions are at a standstill.

Events may follow any one of 3 courses in Chile. The more radical element in the revolutionary government may dominate, and the country may become purely a socialist republic. If this develops there is no reason to expect other than state repudiation of foreign obligations, and confiscation of foreign properties to make way for state monopolies.

The Alternatives

A second course would allow for a far more socialistic government than has ruled the republic in recent years but would compensate foreigners for investments taken over by the state and would probably meet foreign loans.

A third course would be a reversion to the old constitutional form of government which was overthrown last week. There seems to be only a minority group among those best informed about the country which thinks this likely. The rest more or less anticipate the first, but hope for as many as possible of the modifications of the second course.

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Business Abroad—Swift Survey Of the Week's Developments

Temporary prospects on world markets have brightened, but the undertone is still heavy. . . . Anglo-French preliminary discussion stimulated hope that the Lausanne conference will provide more than a 6 months' extension of the Hoover moratorium. . . . Gold movements are likely to shift from the familiar channels of the last 9 months. Dollar exchange has strengthened. . . . French business shows no fundamental improvement and the fiscal position is not good. . . . Germany is only momentarily hopeful; the long-term outlook has not improved. . . . British gains have not been maintained in recent weeks. . . . The farm situation in Japan has become critical; China is demonstrating customary resiliency. . . . Much hinges on Lausanne results which can become the starting-point for other vital world agreements.

Europe

European News Bureau (*Cable and Wireless*)—The whole world is trying to be optimistic. The smallest sign of improved business is eagerly grasped, speculated upon, passed along.

Small wonder, then, that Europe read avidly the reports of the Herriot-MacDonald talks concerning what should be accomplished at the potentially-important Lausanne conference to consider German reparations and Europe's war debts, and tried to build sound hope that concrete improvement might grow out of the meeting. France will cling to as many claims as she can and as seem absolutely necessary to her delegates to save their political faces when they get back to Paris. Britain will try to go all the way and get complete and immediate cancellation of the whole disagreeable lot. Germany will boldly ask that all be ended, but will be prepared to bargain if the demands are small. The Germans are too practical to forget the requirements of home politics on their creditors.

If the results are even half as satisfactory as the delegates now hope they will be, there will be real opportunity for further immediate consideration of the Central European crisis. There will be, too, real justification for loans to the Danubian states to help them hold out until more than temporary relief can be arranged. And there will be a bare chance that Europe can sit around an international economic conference table in London and buckle down to the most fundamental of all the present troubles—trade restrictions in the form of tariffs and foreign exchange barriers. But all this optimism is meaningless if Lausanne brings nothing more than a 6 months' extension of the Hoover moratorium.

Gold Drain Ends

Meanwhile, Europe, but particularly France, has virtually completed gold withdrawals from New York. Dollar exchange is up and forward discounts are slowly closing. It is interesting to note that gold brokers who have until now been supplied gold by the various European central banks from current withdrawals from the United States are reshipping this gold to the United States for their clients who have been refused gold by American banks. Europe is sufficiently familiar with hoarding to understand the demand.

London is becoming the favorite gold storehouse on the theory that since the country is off gold, it is least likely to promulgate export embargoes which are foreseen by many as eventual possibilities in the United States, France, and the few other remaining gold-standard countries.

Business Signposts

European business paid greatest attention to the following developments this week: (1) the drastic new German economy decree which increases taxes and reduces the amount paid in doles by the government; (2) England's increase in the tariff on pig iron, and the reversal of the foreign trade trend (exports in May dropped seriously, imports increased); (3) abandonment of negotiations once more among the creditors of Vienna's ill-fated Credit-Anstalt when they could not agree to accept the Austrian government's offer to meet only 35% of the bank's debts; (4) indications that behind-the-scene financial relief is being organized for the Danubian states (despite the general realization that this is futile unless basic trade conditions are changed, and simultaneously); (5) growing "separatist" tendencies in southern Germany as the von Papen government demonstrates its dictatorial intentions.

Commodities performed discouragingly except for the unconvincing and only partial recovery of cotton. The lack of strength in the heavy metals is attributed to rumors of further difficulties among London traders. Wheat is weaker on reports that spring crops in both the United States and northern Europe are above earlier estimates and may completely offset winter losses in a number of countries. The market still ignores the probable shortage in Russia.

International New

Japan's Liberal—*Viscount Saito, admiral, and former governor of Korea, heads the new National Cabinet. Control by compromise is his aim; farm relief is his most pressing problem*

Securities were relatively steady following weakness earlier in the week. Exchanges are dull, except for the dollar. There are signs that a speculative bull pool on the Spanish peseta is developing.

Europe is cheered by the influx of American tourists, which is the greatest in several years. Unprecedented fare reductions, on top of depreciated currencies in a number of popular tour countries, plus unusually attractive hotel and organized-tour rates are, no doubt, responsible for the trans-Atlantic rush of travel. On the one hand, this might prove to be an economic fillip for Europe; on the other, it may prove to be not without influence on dollar exchange before autumn.

Great Britain

Business is temporarily more hopeful because of the better prospects for success at Lausanne, and the virtual assurance that taxes are not to be increased. . . . Steel industry encouraged by higher tariff. . . . Short cruises attract wide interest.

LONDON (*Cable*)—Amicable Anglo-French conversations which have led to a more hopeful outlook at Lausanne, plus the assurance from Chancellor Chamberlain that further tax increases are unlikely, has once more developed a spark of optimism on British markets.

Stock markets improved early in the week following a period of irregular dullness. Bonds, especially foreign issues, recovered. Money remained easy. The large oversubscription to the Central Electricity Board issue of £10 millions, 4½% stock which was issued at 96, gave encouragement to pending issues. Central interest continues to be the prospective conversion loan of £2,086 millions of 1917 war bonds from their present 5% rate to some lower figure.

Industrial activity is still unsatisfactory though the iron and steel industry is encouraged by the new 33⅓% duty which has been granted by the Tariff Committee on the condition that the industry carry out long-considered rationalization plans. Since this is one of the 4 great British industries, the decision has spread optimism. There is still considerable uncertainty over the labor situation in the textile industry. Cotton weavers will take a new ballot soon which will determine whether or not they will strike or continue negotiations with the organized mill owners.

Britishers are displaying unusual interest in the short cruises that are planned this summer by British liners usually occupied in the trans-Atlantic service. Twenty-one cruises have been planned and bookings are heavy.

Germany

Sentiment improved on current developments. . . . Number of jobless declines. . . . Business hopeful of favorable outcome at Lausanne. . . . Budget balance probable following dole cuts and income tax increases.

BERLIN (*Cable*)—Sentiment was influenced favorably during the week by 4 major factors: (1) the better outlook for Lausanne; (2) the rise of German bond prices on foreign markets, and the smooth prolongation of the $50-million loan by the American banking group to the Gold Discount Bank; (3) Dr. Luther's strong anti-devaluation speech (significant because he is president of the Reichsbank); (4) the accelerated seasonal improvement in the employment outlook (the number of jobless decreased 156,000 in May).

Domestic business, and probably foreign, is watching closely the moves of the dictatorial von Papen government. This week there was the drastic cut in the dole and the imposition of an "employment tax," as well as the very unpopular salt excise levy—all in a desperate effort to balance the budget. The Chancellor's plans for a dictatorship in Prussia, largest of the German states, has been abandoned, temporarily at least, because of the vigorous and noisy disapproval of the states in southern Germany, who even went so far as to talk of secession if the dictatorship assumed too broad powers.

Strained Finances in Reich

The country's cash position is still strained but it seems likely now that it will not become critical before the end of July. Among the cities, however, the situation is worse daily. Duisburg this week failed to meet interest charges on its 1928 loan. This probably marks the beginning of a string of municipal defaults.

Current indicators generally are not favorable. With the exception of the large Russian orders still to be filled, the steel trade is slack. Exports of half-finished products to England have almost ceased since sterling depreciated and tariffs were raised. Automobile production reports for the first quarter are just available, show passenger car out-

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put is off 46%, trucks 51%. Stocks on the Boerse were irregular and weak. Shipping stocks particularly broke when unfavorable company reports were released.

France

Business irregular. . . . Employment improved but industrial activity still declining. . . . Coal, iron and steel, and cotton show no improvement; pig iron, rayon, and heavy machinery more active. . . . Dollar exchange improves.

PARIS (*Cable*)—Business conditions in France continue irregular. Encouragement over the better prospects for some favorable accomplishment at Lausanne as a result of the Herriot–MacDonald conversations and over the small improvement in the employment situation, is counterbalanced by the continued lack of industrial improvement and by the uncertainty of the new government's financial policy.

During the week these factors had a favorable influence on market sentiment: unemployment declined 10%; pig iron prices firmed on completion of plans for a sales comptoir; rayon lines were more active; heavy machinery and construction equipment were in greater demand; the construction industries were busier as the national equipment program got under way.

Outstanding unfavorable developments were the lessened demand for coal because of declining industrial activity; the dwindling market for iron and steel and the very gloomy prospect for export sales; the restricted market for cotton and wool, and leather; and the smaller demand for machine tools (though prices are firmer and competition from secondhand dealers smaller).

The Bourse was irregular to steady. There is still a plethora of money; rates are low. Dollar exchange continued to strengthen on reports from New York that the foreign gold drain was nearing an end.

Mexico Takes French Plant

Like America, France became alarmed during the week when reports reached Paris of the seizure by the Mexican state of Hidalgo of a French-owned cement plant, which is generally admitted to be the largest in Mexico. Owners are awaiting the reports from Mexico City following official protests.

In the foreign trade report which shows that France has reduced the import trade balance 25% in the first 4 months of 1932, it is also revealed that the Soviet Union is the only foreign country to show improved trade with France. Soviet goods valued at $7¼ millions entered France in the first quarter. French exports to Russia, on the other hand, were cut 75%, totaled scarcely $230,000.

Latin America

Chile remains under socialistic control; state monopolies predicted. . . . São Paulo defaults on interest payments. . . . Cuba fixes 1933 sugar quota. . . . Mexico leans toward state control.

CHILE still holds the center of the Latin American stage. The more sanguine among the business community anticipate a return to the old constitutional régime, or at least a modified form of socialism (page 27).

The most disturbing development of the week was the announcement from Santiago of the taking over of the Central Bank, dismissal of the directorate, and the reorganization of the old institution as the State Bank. Later reports indicate that immediate legal complications have caused the new government to announce that the institution will continue to operate as a private bank, but to foreign commercial banks this does little more than increase the confusion.

There has also been an order to turn over to the government all foreign currency deposits throughout the country. Food prices are under government control. Aid for the unemployed is promised in new "state monopolies." Beyond the indication that the large sugar refinery at Viña del Mar will be taken over by the government, no other industries have been designated. Future policy in relation to Cosach, the great nitrate company, is still in question.

São Paulo Defaults

In Brazil, during the week, all bond interest of São Paulo except the guaranteed coffee loans has been put on a scrip basis.

Sugar prices lifted hopefully this week when Cuba announced 1933 sugar restriction plans. Quota for the year for export to the United States has been set at the 1932 level minus the carryover this year. There was also the report on the sugar market that 1931 consumption in the United States was 5½% above that of 1930, ending a 2-year downward trend.

There is significance in the move by Buenos Aires business men to bring back to Argentina the main South American office of the Soviets which was removed to Montevideo last year when the quarters were raided by the Argentine government. The new move is backed by angry hide dealers who lost one of their largest outlets when the Soviets stopped buying.

Important changes in the Argentine cabinet are not unlikely. The increasing strength of the Socialists, and the agitation which has followed the Chile coup d'etat, lead observers in Buenos Aires to anticipate government changes.

Foreign Firms Threatened

State expropriation of private property is threatened in Mexico (page 26) unless the national government can curb the development. Foreign concerns operating in Mexico are alarmed, though many of them are not surprised that this tendency is growing and in a measure are prepared for it.

Executives from trade associations in New York report that orders for foodstuffs, textiles, and pharmaceutical goods from Latin America were heavy last week but that shipments are being curtailed by many producers due to collection difficulties. The American Manufacturers' Export Association reports that dollar exchange is not immediately available in Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Nicaragua, and Uruguay.

Far East

Chinese business recovers from the **unsettlement caused by war.** . . . Anti-**Japanese boycott waning.** . . . Shanghai **rebuilds.** . . . **Japan** ends special **Diet session, votes currency** inflation, **exchange control, bond** issues, and **tariff increases.** . . . Tokyo may recognize **Manchukuo.**

EVIDENCES of trade improvement in China are only relative but they are encouraging to the manufacturer who has cultivated the market over a period of years.

South China reports greatly improved activity except in Canton where business is moving cautiously because of the possibility of renewed civil outbreaks. There is some improvement in the Yangtze valley, though Hankow is still suffering from the loss of purchasing power as a result of the flood last year. Shanghai is quite optimistic due to the increase in building and greater industrial activity since the Japanese troops were withdrawn. Crop prospects throughout the country are generally improved. Railways, except in Manchuria, are operating on fairly regular schedules. The boycott of Japanese goods is being forgotten, except in Hongkong, and shipments of Japanese goods are arriving at all major ports.

Considerable commercial interest is attached to the new show of friendliness on the part of the Nanking government toward the Soviet Union. It is possible that a pact of non-aggression will be signed by the 2 countries and that diplomatic relations will be resumed.

Japan Votes Exchange Control

The week's developments in Japan centered around the special meeting of the Diet. Four bills influencing business were passed. The government is granted the power to control foreign exchange. The Bank of Japan is empowered to increase the currency issue from Yen 120 millions to Yen 800 millions. Tariffs are put on a new basis to protect home industry and offset the depreciation of the yen. Ad valorem duties are increased 35% and new specific duties are levied on 37 items. Bond issues to cover the cost of the China campaigns were voted.

Also significant was the appeal to the government to recognize the new state of Manchukuo. If Count Uchida, for many years the very efficient head of the South Manchuria Railway, becomes Japan's new Foreign Minister, it is expected that recognition of Manchukuo (new official name for Manchuria) will follow rather promptly. Control of the Dairen customs, which would follow, would then raise the question among all the signatories of the Washington Treaty of 1922, of the right of separating Manchuria from the recognized Chinese Maritime Customs district. Britain has already lodged a strong protest.

Farmers in Distress

Farm relief has become such an urgent problem that it is likely that there will be a second special session of the Diet, possibly in August, to consider specific relief measures. It seems likely now that a loan—possibly of Yen 400 millions—will be voted to aid farmers. Funds would be loaned to the needy at a low rate of interest with maturity at some date well in the future.

The Bureau of Public Works has proposed to the government a 5-year public works program on which $120 millions would be spent in an effort to absorb some of the urban unemployed. No action has been taken yet.

Spring cocoon production is down 11%, according to government reports. Raw silk production for 1932 is estimated at 13.2% below the 1931 output.

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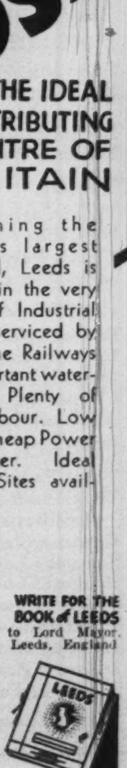


The Figures of the Week And What They Mean

Business activity continues at a low level. . . . Steel activity dropped sharply to a new low, affecting even the Detroit district. . . . But Ford is maintaining a high rate of production, offsetting the slump in other lines. . . . Federal projects remain the chief support of structural steel producers. . . . Electric power production made a fair comeback after the holiday week. . . . Carloadings and coal data are influenced by the holiday but the decline was steeper than expected. . . . Check payments have increased in the past 2 weeks, but commercial loans continue downward.

STEEL activity has taken a sudden and drastic slump, leaving operations at 18% of capacity against 20% the preceding week, which lowered our adjusted index from 31% of normal to 28%. The summer lull which the industry hoped to avoid since no spring rise was experienced is apparently inevitable now. The industry seems to be reconciled to the possibility that June and July will be the low months of the year.

Though all lines of steel consumption are limited, the hope of sustained activity at a low level was based on the expectation that motor manufacturers would secure better results from their sales drive. May sales to consumers in the United States by General Motors totaled only 63,500 units, a 22% decline from the April total of 81,573 cars, which is the greatest volume since last July. Part of the decline is seasonal. But there are reports that motor manufacturers will continue to attack the sales resistance of the public.

The Ford schedule of 5,000 cars a day is expected to continue throughout the summer. June will undoubtedly see Ford producing half of the output of the industry. But steel operations in the Detroit district, while far above the rate of other centers, suffered a decline from 81% to 75% of capacity last week.

The drop in unfilled orders of the U. S. Steel Corp. at the close of May was not unexpected. Orders remaining on the books now total only 2,177,162 tons, the smallest since such figures were reported by the corporation, and probably the smallest volume in the history of the enterprise. This is the fourteenth consecutive decline in the outstanding volume of unfilled orders.

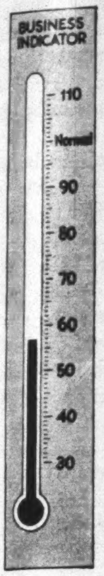
Structural Steel

Steel points out that structural steel bookings of the past four weeks have approached 110,000 tons, which is 50% above the average rate of awards this year and the largest volume for any consecutive four weeks in almost a year. This volume has been achieved chiefly through the awards of public projects.

Weakness in scrap markets continues to threaten the stability of prices on other steel products and has practically eliminated any thought of advanced quotations for the third quarter. Large Detroit consumers can still chisel finished steel prices, but otherwise quotations are said to be holding. With operations in the industry at new low levels, costs are steadily increasing, making

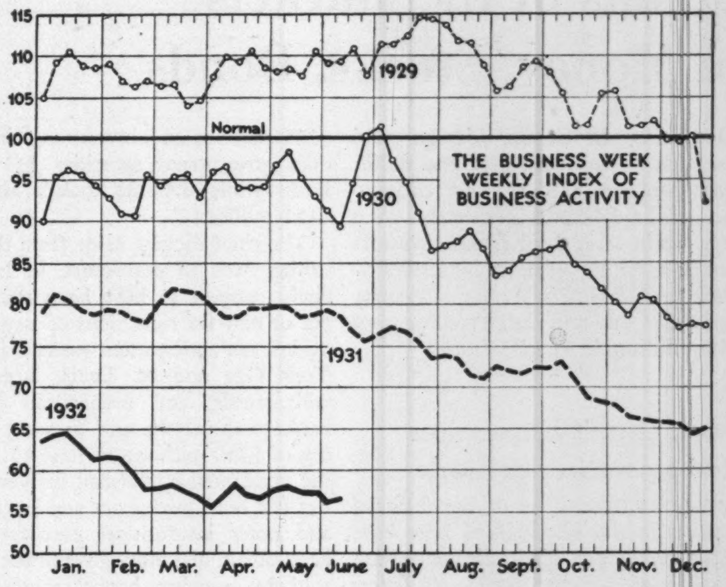
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*56.7	†55.9	78.6	
PRODUCTION				
Steel Ingot Operation (% of capacity)	18	20	38	70
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$5,700	$5,220	$12,253	$20,070
Bituminous Coal (daily average, 1,000 tons)	*686	708	1,098	1,373
Electric Power (millions K.W.H.)	1,435	1,381	1,621	1,579
TRADE				
Total Carloadings (daily average, 1,000 cars)	81	87	127	159
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	59	63	88	103
Check Payments (outside N. Y. City, millions)	$3,004	$2,745	$4,066	$5,416
Money in Circulation (daily average, millions)	$5,473	$5,477	$4,736	$4,690
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.48	$.53	$.73	$1.14
Cotton (middling, New York, lb.)	$.051	$.052	$.088	$.159
Iron and Steel (STEEL composite, ton)	$29.56	$29.56	$31.03	$34.74
Copper (electrolytic, f.o.b. refinery, lb.)	$.052	$.051	$.078	$.128
All Commodities (Fisher's Index, 1926=100)	59.6	60.2	69.7	88.7
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,199	$2,117	$937	$1,170
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,712	$19,016	$22,452	$21,978
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,599	$6,724	$7,850	$8,577
Security Loans, Federal Reserve reporting member banks (millions)	$4,798	$4,907	$6,791	$7,158
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$373	$409	$1,490	$3,664
Stock Prices (average 100 stocks, Herald-Tribune)	$76.28	$76.62	$118.77	$150.18
Bond Prices (Dow, Jones, average 40 bonds)	$70.54	$69.86	$94.88	$95.56
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.5%	4.4%
Interest Rates—Prime Commercial Paper (4-6 months)	2½-3%	2¾-3%	2%	4.1%
Business Failures (Dun, number)	571	554	474	454

***Preliminary** **†Revised**



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



complete shutdowns imperative in some mills if further losses are to be avoided. Tin plate mills which continue at 50% of capacity are the only profitable division of the steel industry at present.

While the F. W. Dodge data are not available to indicate the trend of June construction activity, a hint of the direction may be secured from the awards of heavy construction compiled by the *Engineering News-Record*. Awards for the week of June 9 were nearly $44 millions, the largest weekly total of the year. Of this total $37 millions represented public construction, divided into $21 millions for federal projects and $16 millions for state and municipal projects.

Bituminous and anthracite coal production during the week ending June 4 was affected by either partial or complete observance of Decoration Day in the fields. The adjusted index of bituminous coal declined 2 points to 36% of normal.

Electric Power

The rise in electric power output following the May holiday contrasts with the slight decline that occurred in comparable weeks of the preceding 2 years. The adjusted index moved upward one point to 71% of normal. Hence the spread from last year has been decreased slightly to 11.5% against the average of more than 12% of the past month. Figures giving consumption records for April have just been released and reveal the severe curtailment of large commercial users of power. Compared with last year, a 21% decline is reported, while in March the decline was 14%. Domestic consumers continue to use more current than a year ago, the gain amounting to 3.4% in April.

Carloadings Slump

Even with allowance made for the effect of Decoration Day, carloadings showed an unexpectedly severe contraction. While ore, forest products, and coke have shown the most marked declines from a year ago, the 30% decline in miscellaneous freight loadings is most significant since it accounts for about a third of the total loadings. The decline in this classification plus that of less-than-carlot freight lowered our adjusted index to 51% of normal against 54% the preceding week of May 28. The persistent shrinkage in the volume of carloadings is not unexpected in face of the continued decline in department store sales, employment and payrolls.

Check payments have risen 2 consecutive weeks with the chief gains in New York City. Part of the gain of the week ending June 8 was due to the return of the full business week in all centers. The adjusted index gained 3 points to 64% of normal. The monthly compilation of check payments for May reveals a decline of more than 10% both in the group of large financial centers and in the smaller cities. Since 1919, May has shown an increase over April more often than a loss in the group of 141 cities, due chiefly to the effect of New York City. When the influence of this center is removed, a decline is not uncommon.

Currency circulation showed very little change for the week ending June 11, and the adjusted index remains unchanged at 49% above normal.

Commercial loans on June 8 were $125 millions lower than the preceding week, the contraction being most severe in the New York district. The adjusted index lost one point, standing now at 7% above normal.

Commercial failures in May were less numerous than in April, and the liabilities involved were also reduced. The most significant aspect of these insolvencies this year has been the surprising number of large failures. In the first 5 months, these large defaults have been 79% more numerous than in the same period of 1931, while the debts involved have been 52% greater.

Commodity Prices

As a whole, commodity prices continue to show weakness, though here and there an occasional sign of strength appears. The wheat market has been most disappointing. Cotton futures hit a new low on July 9, but prices have improved somewhat lately. Cotton consumption by American mills declined in May, but exports still exceed those of 1931. Cocoa, rubber, sugar, and silk have strengthened this week, but hogs, coffee, steel scrap, and hides continue soft. Cattle and wool prices are steady. Corn appears stronger.

The non-ferrous metal markets report a firming in copper following the tariff impost, but no sharp advance appeared. Lead and zinc prices were unchanged, tin and silver irregular.

Trends of the Markets In Money, Stocks, Bonds

Finishing off of the foreign gold run with strengthening of the dollar eases banking anxiety, but contraction of bank credit continues on a large scale . . . Individual investors absorb bond liquidation by banks as bond pool holds back. . . . Security markets steady and dull save for pool manipulation in special stocks.

Bank Credit Expansion Meets Another Setback

OUTSTANDING features of the financial situation in the first half of June have been a resumption of drastic contraction in credit by member banks, steadiness in security markets, and improvement in the value of the dollar in the foreign exchanges.

The decline in loans and investments of reporting member banks in the principal cities for the week ended June 8 was among the most severe for any week during the deflation. It amounted to $304 millions, and followed one of $200 millions for the preceding week, mostly in the New York and St. Louis districts. Commercial loans dropped $125 millions and investments in other than government securities $115 millions, while deposits took a drop of $151 millions.

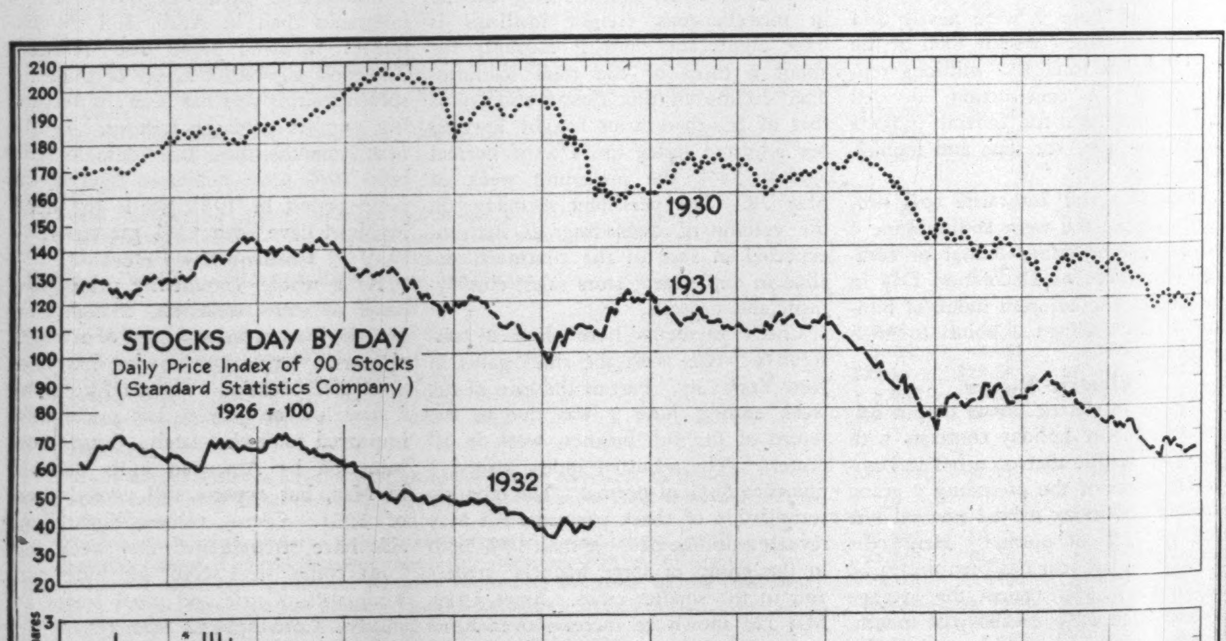
The chief factors, aside from the prevailing lack of confidence in banking circles, appear to have been repayment out of new tax collections of large loans against tax anticipation warrants in New York City and St. Louis, large gold withdrawals, and preparation by the banks to absorb the new Treasury financing of $750 millions on June 15. Since the bond pool established in New York has not been buying on any large scale, and other institutional purchases have been small, the non-government bonds sold by member banks, especially in New York, must have been absorbed by individual investors on a considerable scale. Steadiness of the bond market and the decline in deposits tend to support this favorable interpretation, but the rate of liquidation of commercial loans is not an encouraging sign of success for the efforts to stimulate credit expansion.

The Federal Reserve banks continued to add to their government security holdings by buying about $70 millions in the week ended June 8. But this was insufficient to offset gold withdrawals, and the member banks were forced to increase their Reserve borrowings by $10 millions and draw down their excess reserve balances by $19 millions.

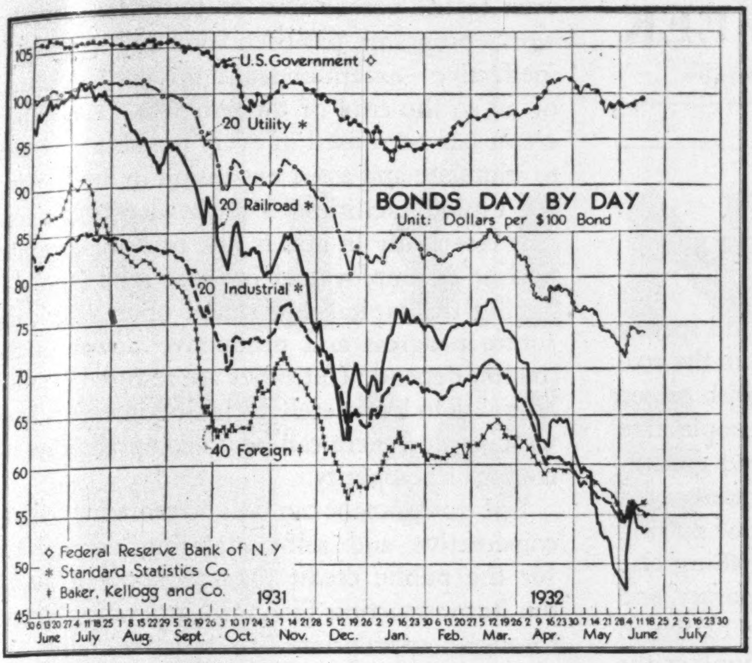
Although gold continues to be earmarked in fairly large amounts, the actual export movement has tended to fall off and the exchange of all the important countries that have been taking gold fell below the gold export point. This is taken by the financial press to indicate that the withdrawal of foreign balances in the United States is about completed and that the outflow of gold will soon come to an end.

The removal of this drain on our gold reserves is expected to improve banking sentiment and restore foreign confidence in the dollar, which may lead to a return flow of funds for investment here, especially if political conditions abroad continue disturbing. Private exports of gold for hoarding abroad in fear of inflation here, and liquidation of foreign holdings of dollar securities will remain as sources of uncertainty even though the problem of foreign central bank balances is cleared up.

Conditions in the money market were unaffected by these developments, with rates unchanged and demand remaining stagnant.



STOCKS DAY BY DAY
Daily Price Index of 90 Stocks
(Standard Statistics Company)
1926 = 100



Steadiness of Market Heartens Stock Watchers

Aside from spectacular gyrations in special speculative performers like Auburn and Case, the stock market showed a reassuring steadiness in the past week, with little net movement either way. This was surprising in face of several items of unfavorable business news, such as the decline in steel production to a new low, and falling carloadings.

The ability of the market to stand its ground and hold above the June lows ever since is considered an encouraging sign, and there is expectation of revived interest after adjournment of Congress and the end of the conventions. Just now even the continuous din of passing dividends is not sufficient to disturb the uneasy slumbers of the Street.

The short squeeze and pool operations in Auburn and Case brought a touch of old times back into some brokerage offices for a few days. The sharp rise in these stocks is, of course, an absurdity in view of the significant price slash in Auburn cars and the dubious outlook for the agricultural implement business, but the small floating supply of such issues affords an opportunity for a little gymnastic exercise for restless operators. Incidentally it keeps nervous chaperons of the Stock Exchange busy enforcing proper behavior, so long as senatorial investigating committees are lurking in the background. These stunts naturally do not much disturb the dullness of the general list.

Bond Rise Gave Banks A Chance to Unload

The bond market has been fairly quiet since the flurry over the bond pool, despite the extremely large liquidation of bank holdings of non-government bonds. It is evident that the sharp rise in prices accompanying the announcement of the pool gave some institutions an opportunity to shift their holdings to individual investors, for such liquidation seems to have been well absorbed, and the bond pool itself is active only in a small way.

Bank liquidation on bulges of this sort is to be expected so long as individual investment demand is forthcoming because the investment portfolio of member banks is quite heavy. On June 1 this year bond holdings were 39% of total loans and investments of weekly reporting member banks, as compared with 34% a year ago and 26% two years ago. Savings bank investments have been running largely to mortgages rather than to securities during recent weeks.

Strength in the general list and especially in governments was influenced by the rise in dollar exchange and the relief of anxiety over gold exports, and in foreign issues by expectations of an international loan to Central European countries, and a favorable outcome at Lausanne. The new issues market continues inactive, even municipals and state issues sharing in the general stagnation.

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THE BUSINESS WEEK
The Journal of Business News and Interpretation
June 22, 1932

Prime the Pump

THERE is only one sound, safe, sure, and speedy way of starting business recovery within the economic scheme of things which we wish to see preserved in this country. That is by cooperative action of private business initiative and government agencies in setting our idle money and credit resources to their regular work of putting men back on their regular jobs. Anything else is a highly uncertain, speculative, temporary, and partial experiment, the consequences of which no one can foresee. Nothing can supplant the normal processes of investment and individual enterprise in providing employment and expanding purchasing power.

Relief appropriations may be necessary to tide over a period of distress, but they cannot restore prosperity. Public works construction in considerable volume can and should be considered as providing a part of the working population with normal and necessary employment in supplying a civilized and advancing nation with needed community facilities for a higher public standard of living. But the portion of the working population which can be so employed is relatively small; such employment is slow in getting started; and if it is undertaken on too large a scale in periods of financial uncertainty it may destroy confidence in the public credit or unduly divert capital resources from investment in private industry where the possibilities of employment are incomparably greater. A public works program can be an important but not the principal factor in expanding purchasing power.

In every effort to promote business recovery, whether through public construction, through financial support of credit institutions, or through other means, the first and foremost function of the federal government is to prime the pump so as to start the normal flow of purchasing power in the established channels of industry and trade. So far during the past three years, every point of attack on this problem, even to the prosecution of fairly large public works programs, has been tried and has proven ineffective—except one, and this one lies closest of all to the crux of the problem. The public credit has been used in every possible way save to stimulate and assist expansion in the demand for capital facilities. Yet the depression consists essentially in and is due principally to the decline of employment in those industries producing the capital equipment upon which the future progress and productive power of the country depend. Until they are restored we shall be trying to live merely by taking in each other's washing and there can be no comprehensive recovery of prosperity.

The government can find no more immediate, constructive and self-liquidating employment for the public credit than to apply it, under the Reconstruction Finance Corporation, acting through appropriate cooperative and all-inclusive industrial credit agencies, to the support of a program of improvement and modernization of the productive equipment of American industry. More than half of our industrial facilities are obsolete and uneconomic. At least a billion dollars is needed to do the immediate job of bringing them up to the best current standards of efficiency. As much more could be used to push forward the development of new products and new productive methods now planned, upon which the future expansion of American business depends.

A program of this sort would do more than meet the immediate unemployment problem, and meet it more effectively than any other form of federal action. It would prime the pump for vigorous revival of private enterprise in every field, strengthen the position of American industry in the competitive struggles of world commerce which await us, and build the basis for broader prosperity which must always rest upon increase of the national productive efficiency.

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